

# STRATEGIC ADVISERS, INC.

## Crosby Advisors

Strategic Advisers, Inc.  
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This brochure provides information about the qualifications and business practices of Strategic Advisers, Inc., and provides you with information about Strategic Advisers, Inc., and its Crosby Advisors service that should be considered before you become a client. Throughout this brochure and related materials, Strategic Advisers, Inc. may refer to itself as a “registered investment adviser” or “being registered.” These statements do not in any way imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 1-800-544-3455. The information in the brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Strategic Advisers, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### MATERIAL CHANGES

Pursuant to SEC rules, will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

### NEW DETAILS ON THE USE OF DERIVATIVES IN CLIENT PORTFOLIOS

Additional information about the use of derivatives in underlying mutual funds and exchange traded funds (ETFs) has been added to the Section entitled “Methods of Analysis, Investment Strategies and Risk of Loss.” Please see page 6 for details.

We will provide you with a new brochure as necessary based on changes or new information, at any time, without charge. The current version of the Strategic Advisers, Inc., *Crosby Advisors* brochure can also be obtained by:

Contacting Carol Fitzgerald, at 603-681-4250 or [carol.fitzgerald@fmr.com](mailto:carol.fitzgerald@fmr.com)

Visiting the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## ADVISORY BUSINESS

Strategic Advisers Inc. (“Strategic”), was incorporated in 1977, and is a registered investment adviser and a wholly owned subsidiary of FMR LLC, the parent company of Fidelity Investments. Strategic provides discretionary investment advisory services through Crosby Advisors (“Crosby Advisors”, “the Service” or sometimes referred to as “we” or “us” throughout this document), a private service offered to investors at the discretion of Crosby Advisors management. The Crosby Advisors Investment Team (“the Investment Team”) provides discretionary investment management services to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations and other business entities. Clients may include employees, directors, or officers of, or individuals affiliated with, FMR LLC and its subsidiaries, as well as non-affiliated individuals or entities.

Crosby Advisors also provides discretionary investment management to private investment pools, Crosby Growth & Income Fund, LLC and Crosby Institutional Investment Fund, LLC. These funds are privately offered to Crosby Advisors clients with consistent investment objectives. A detailed private placement memorandum disclosing all material facts and an operating agreement are provided to prospective members before signing a subscription agreement.

Crosby Advisors accounts are managed in accordance with individual investment management agreements. Crosby Advisors generally follows an aggressive growth strategy with a long-term perspective that may include significant investments in the international sector. Each account is individually managed, except those interests managed collectively in Crosby Advisors’ private funds. Crosby Advisors does not monitor assets it does not manage. Any mutual funds purchased for your account will generally consist only of Fidelity mutual funds.

Investment strategies may include long-term and short-term purchases, trading, margin transactions, and occasionally may include option writing including covered options, uncovered options, and spreading strategies. Crosby Advisors may invest a large percentage of your assets in a particular security, industry, or in a specific country or countries within the international sector. Generally, Crosby Advisors does not hedge foreign exchange exposure on non-U.S. investments.

You can request that reasonable restrictions be imposed on the management of your Crosby Advisors account. For example, restrictions related to tax or liquidity issues are generally accepted. Any such restriction that you wish to impose is subject to the review and approval of the Crosby Advisors Chief Investment Officer. Crosby Advisors generally accepts client restrictions on how assets are managed to the extent the restrictions are related to suitability and investment objectives. If the Chief Investment Officer accepts your restriction, we will invest your assets in a manner that is appropriate given the restriction, even if the restriction may result in lower performance.

In certain circumstances, the Investment Team may advise you on your holdings in private placements and may recommend its own private fund offerings.

In the event that Crosby Advisors or its affiliates make an error that has a financial impact on your account, Crosby Advisors or its affiliates will generally return your account to the position it would have held had no error occurred. Crosby Advisors will evaluate each situation independently. This corrective action may result in a financial or other restitution to your account or inadvertent gains being reversed out of your account. Any corrective action may result in a corresponding loss or gain to Crosby Advisors

or its affiliates. Other measures to correct an error may be facilitated through a deposit to your Account, which may result in a taxable gain.

## **ASSETS UNDER MANAGEMENT**

### **Strategic Advisers Assets under Management**

Strategic Advisers, Inc.'s total assets under management as of December 31, 2011 were, including Crosby Advisors, \$261,720,600,000 on a discretionary basis; nondiscretionary assets totaled \$85,000,000.

## **FEES AND COMPENSATION**

### **Investment Management Fees**

Your account charges an investment management fee that covers the ongoing management, clearing and custody services, and the communications sent to you. There are transactional costs associated with the trades made in your account; these costs are not covered by the investment management fee. Investment management fees are based on a percentage of your assets under management with the Service. The fees are negotiable.

The investment management fee does not include underlying mutual fund expenses taken at the individual fund level for any mutual funds in your account. These are the standard expenses that all mutual fund shareholders pay as disclosed in each mutual fund's prospectus. We charge a reduced investment management fee on mutual fund assets held within taxable accounts. We do not charge an investment management fee on mutual fund assets held within IRA accounts or other tax qualified retirement accounts.

### **Mutual Fund Fees**

Although underlying mutual fund fees still apply to any mutual funds held in your account, you will not pay any sales loads for Fidelity mutual funds purchased or sold in your account, nor pay any commissions or transaction fees on ETFs purchased or sold in your account. Fidelity and non-Fidelity funds may impose redemption fees if shares are not held for a minimum time period as disclosed in each mutual fund's prospectus.

Under an agreement between Crosby Advisors and Fidelity Investments Institutional Operations Company, Inc., a transfer agent for mutual funds managed by Fidelity Management & Research Co., Crosby Advisors receives compensation from Fidelity Investments Institutional Operations Company, Inc. for providing sub-accounting services for Fidelity mutual fund positions held in Crosby Advisors client accounts.

### **Billing and Account Status**

Investment management fees are generally deducted from the cash balance of your account after the end of each calendar quarter, based on your assets under management. If do not have a cash balance at that time, securities in your account may be sold or redeemed at our discretion, the proceeds of which will be applied to the investment management fee. Otherwise, a fee invoice will be sent to you.

An investment advisory relationship can be terminated and your account closed, by either you or Crosby Advisors giving a written notice at least thirty (30) days prior to the date of termination.

### **Information about Compensation**

The Crosby Advisors service is privately offered, and therefore no individual is compensated as a result of your participation, including compensation for both enrollment of new accounts and retention of assets in the Service.

The Investment Team does not accept compensation for the sale of any security or investment product.

Strategic's Crosby Advisors generally purchases only Fidelity mutual funds managed by Fidelity Management & Research Company, an affiliate of Strategic. As wholly-owned subsidiaries of FMR LLC, fees generated by Strategic and Fidelity Management & Research Company may indirectly benefit certain Crosby Advisors employees through their ownership of FMR LLC shares.

### **Your Investment Options**

Outside your Crosby Advisors account, you may invest directly in most funds or securities available through the Service without incurring the investment management fee charged by the Service. However, on those assets, you will not receive the professional investment management services offered through Crosby Advisors, and you may be subject to sales loads.

Crosby Growth & Income Fund, LLC and Crosby Institutional Investment Fund, LLC are privately offered only to Crosby Advisors clients, and therefore you will not be able to purchase these funds through other brokers or agents.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Strategic Advisers, Inc. does not charge performance-based fees, and therefore Strategic does not have any side-by-side management conflicts with respect to performance fees.

## **TYPES OF CLIENTS**

Crosby Advisors is offered on a private basis to individuals, high net worth individuals, trusts and estates, charitable organizations, other corporations or businesses, and pension and profit sharing plans. Crosby Advisors has no established asset minimums or conditions for managing accounts, but as a private service it is offered to clients at the discretion of Crosby Advisors management.

Crosby Advisors also provides discretionary investment management to two private funds: Crosby Growth & Income Fund, LLC and Crosby Institutional Investment Fund, LLC. These funds are privately offered to Crosby Advisors clients with investment objectives that are consistent with the funds. A detailed private placement memorandum disclosing all material facts and an operating agreement are provided to prospective members before signing a subscription agreement.

As a Crosby Advisors client, you agree to have your assets, including most mutual fund assets, reside in accounts registered in your name with National Financial Services LLC, a broker-dealer affiliate of

Strategic, Fidelity Investments Institutional Operations Company, Inc., a transfer agent affiliate of Strategic, or at certain other non-affiliated custodians.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Crosby Advisor's Investment Approach**

Crosby Advisors primarily invests in equity securities, including exchange-listed securities, securities traded over-the-counter, foreign issues, corporate debt securities, and mutual fund shares. Occasionally, Crosby Advisors may invest your funds or accept assets invested in, but not limited to, the following: warrants, commercial paper, certificates of deposit, municipal securities, U.S. Government securities, and option contracts on securities, option contracts on commodities, and private placements.

Crosby Advisors generally employs various investment analysis techniques, including charting, fundamental and technical and cyclical analysis, with information obtained from inspections of corporate activities, research materials prepared by affiliated and unaffiliated providers, online research services, annual reports and prospectuses, SEC filings, and other sources.

Investment strategies may include long- and short-term purchases, trading, margin transactions, and occasionally may include option writing, including covered options, uncovered options and spreading strategies. Crosby Advisors may invest a large percentage of your assets in a particular security, industry or in a specific country or countries within the international sector. Generally, Crosby Advisors does not hedge foreign exchange exposure on non-U.S. investments.

There may be occasions when Crosby Advisors is restricted from purchasing certain individual securities that may otherwise constitute a viable investment option because (1) certain Crosby Advisors accounts are subject to the pre-clearance and other restrictions defined in the Fidelity Investments Code of Ethics for Personal Investing and Policy on Inside Information; and (2) due to aggregated holdings limitations for Fidelity Investments as a consolidated group of companies as set forth in internal guidelines or by state or federal regulations.

When investing in Fidelity and non-Fidelity funds, we may from time to time consult with the fund's investment manager to understand the manager's guidelines concerning general limitations, if any, on the aggregate percentage of fund shares that can be held under management by Strategic on behalf of all its clients. Funds are not required to accept investments and may limit how much Strategic can purchase. Additionally, we may establish internal limits on how much it may invest in any one fund.

Regulatory restrictions may also limit the amount that we can invest in a particular fund. In certain situations, liquidating positions in underlying funds may be accomplished over an extended period of time as a result of operational or legal considerations.

### **Material Investment Risks**

Your investments managed by Crosby Advisors will fluctuate over time and a gain or loss may occur. You should be prepared to bear such losses in connection with your investments in the Service. Investments in your account are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Crosby Advisors generally follows an aggressive growth strategy with a long-term perspective that may include significant investments in the international sector, although we may use various strategies including, but not limited to, those outlined below.

**Stock Investments.** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments.

**Foreign Exposure.** Foreign securities are subject to interest-rate, currency-exchange-rate fluctuation, economic, regulatory, and political risks, all of which may be greater in emerging markets. Foreign markets may be more volatile than U.S. markets and can perform differently than the U.S. market.

**Bond Investments.** In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) The ability of an issuer of a debt security to repay principal prior to a security's maturity can cause greater price volatility if interest rates change. Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties.

**Mutual Funds.** Your account bears all the risks of the investment strategies employed by the mutual funds held in your account, including the risk that they will not meet their investment objectives.

**Options.** Options trading entails significant risk and is not appropriate for all investors. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time.

**Warrants.** Warrants may be significantly less valuable on their relevant expiration date resulting in a loss of money or they may expire worthless resulting in a total loss of the investment. Warrants may also be postponed or terminated early resulting in a partial or total loss of the investment. Warrants may also be subject to illiquidity.

**Margin.** Margin trading increases your level of market risk, including but not limited to risk of loss and incurrence of margin interest debt, for which you are responsible. Margin trading is not suitable for all investors.

**Derivatives.** Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset, (such as a stock, bond, or currency), a physical asset (such as gold, oil, or wheat), or a market index (such as the S&P 500 Index). Investments in derivatives may subject these funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indexes, have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and sold, and whose market values are determined and published daily. Non-standardized derivatives (such as swap agreements), on the other hand, tend to be more specialized or complex, and may be more difficult to value. Derivatives may involve leverage because they can provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives may cause these funds to be more volatile, because the leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.

## DISCIPLINARY INFORMATION

Strategic Advisers, Inc. has no material disclosable legal or disciplinary events for its management persons associated with its advisory services.

## FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Strategic is a wholly owned subsidiary of FMR LLC. FMR LLC is a Delaware limited liability company that, together with its affiliates and subsidiaries, is generally known to the public as Fidelity Investments. Various direct or indirect subsidiaries of FMR LLC are engaged in investment advisory, brokerage, banking, or insurance businesses. From time to time, Strategic and its clients may have material business relationships with any of the subsidiaries and affiliates of FMR LLC. In addition, the principal officers of Strategic also may serve as officers and/or employees of affiliated companies that are engaged in various aspects of the financial services industry.

Neither we (Strategic) nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer. Neither we nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

Our affiliates provide investment advisory and other services to the Fidelity mutual funds and Fidelity ETFs. When we invest your assets in Fidelity mutual funds or funds that are sub-advised by an affiliate, those affiliates may receive investment management and other fees from the funds based on the amount of your invested assets.

While we receive no economic benefit from our affiliated or unaffiliated entities in connection with our investment decisions, including fund selections made for your account, FMR LLC and various affiliates of FMR LLC are compensated for providing services to the funds, such as:

- *Fidelity Management & Research Company* as the investment adviser for the Fidelity funds;
- *Fidelity Distributors Corporation* as the underwriter of the Fidelity funds; and
- *Fidelity Management Trust Company* as the custodian for certain Fidelity funds.

One or more broker-dealer affiliates of the Fidelity funds may execute portfolio transactions for the funds. The funds' investment advisers may obtain brokerage or research services, consistent with Section 28(e) of the Securities Exchange Act of 1934, from broker-dealers in connection with the execution of the funds' portfolio security transactions.

From time to time, we or our clients may have a material business relationship with the following affiliated companies:

### **Investment Companies and Investment Advisers**

*Fidelity Management & Research Company*, a wholly owned subsidiary of FMR LLC, in association with its various affiliates and subsidiaries, serves as investment adviser to registered investment companies, and is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act").



**Broker-dealers**

*Fidelity Distributors Corporation*, 82 Devonshire Street, Boston, MA 02109, a wholly-owned subsidiary of FMR LLC, acts as principal underwriter and general distribution agent of the registered investment companies advised by Fidelity Management & Research Company. Fidelity Distributors Corporation is a registered broker-dealer under the Securities Exchange Act of 1934 ("Exchange Act").

*Fidelity Brokerage Services LLC*, 82 Devonshire Street, Boston, MA 02109, a wholly-owned subsidiary of Fidelity Global Brokerage Group, Inc., is a registered broker-dealer under the Exchange Act, and provides brokerage products and services including the sale of shares of investment companies advised by Fidelity Management & Research Company to individuals and institutions including retirement plans administered by affiliates. Pursuant to referral agreements and for compensation, representatives of Fidelity Brokerage Services LLC may refer customers to various services offered by Fidelity Brokerage Services LLC's related persons. In addition, Fidelity Brokerage Services LLC is the distributor of insurance products, including variable annuities, which are issued by Strategic's related persons, Fidelity Investments Life Insurance Company and Empire Fidelity Investments Life Insurance Company. Fidelity Brokerage Services LLC may provide shareholder services to certain of Strategic's or Strategic's affiliates' clients.

*National Financial Services LLC*, 82 Devonshire Street, Boston, MA 02109, is engaged in the institutional brokerage business and provides clearing and execution services for other brokers. National Financial Services LLC is a wholly-owned subsidiary of Fidelity Global Brokerage Group, Inc., a holding company that provides administrative services to National Financial Services LLC. Fidelity Capital Markets, a division of National Financial Services LLC, may execute transactions for Crosby Advisors clients. Additionally, National Financial Services LLC operates CrossStream®, an alternative trading system that allows orders submitted by its subscribers to be crossed against orders submitted by other subscribers. National Financial Services LLC charges a commission to both sides of each trade executed in CrossStream®. CrossStream® may be used to execute transactions for Crosby Advisors clients. National Financial Services LLC is a registered broker-dealer under the Exchange Act and is also registered as an investment adviser under the Advisers Act. National Financial Services LLC may serve as a clearing agent for client transactions that Strategic places with certain broker-dealers. National Financial Services LLC may provide transfer agent or sub-transfer agent services to certain of Strategic's or Strategic's affiliates' clients.

*Fidelity Investments Institutional Services Company, Inc.*, 82 Devonshire Street, Boston, MA 02109, is a wholly-owned subsidiary of FMR LLC. Fidelity Investments Institutional Services Company, Inc. is a registered broker-dealer under the Exchange Act and a registered municipal adviser under the Advisers Act. Fidelity Investments Institutional Services Company, Inc. provides brokerage and related services, including the sale of shares of investment companies advised by Fidelity Management & Research Company, to institutional clients including intermediaries.

**Banking and Thrift Institutions**

*Beacon PT Company*, 985 Damonte Ranch Parkway, Reno, NV 89521, is a Nevada-licensed trust company. Beacon PT Company provides investment accounting and administrative support services to Crosby Advisors.

### **Limited Partnerships and Limited Liability Company Investments**

Strategic provides discretionary investment management to Crosby Growth & Income Fund, LLC and Crosby Institutional Investment Fund, LLC. These funds are privately offered to Crosby Advisors clients with investment objectives consistent with the funds. The funds will invest in Fidelity mutual funds, individual equities and fixed income securities, and may invest in other securities. The funds do not intend to engage in borrowing, lending, purchasing securities on margin, short selling, or trading in commodities. A detailed private placement memorandum and operating agreement disclosing all material facts is provided to prospective members in advance of the execution of a subscription agreement.

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

### **Code of Ethics**

Strategic has adopted a Code of Ethics for Personal Trading (the Code of Ethics). The Code of Ethics contains provisions requiring:

- i. Standards of general business conduct reflecting the adviser's fiduciary obligations
- ii. Compliance with applicable federal securities laws
- iii. Employee covered accounts to generally be held at Fidelity Brokerage Services LLC unless an exception has been approved
- iv. Reporting and review of personal securities transactions and holdings for persons with access to certain nonpublic information
- v. Prohibition or preapproval of certain investments, including limited offerings and initial public offerings (IPOs)
- vi. Reporting of Code of Ethics violations
- vii. Distribution of the Code of Ethics to all supervised persons, documented through acknowledgements of receipt

Core features of the Code of Ethics generally apply to all Fidelity employees. The Code of Ethics also imposes additional restrictions and reporting obligations on certain advisory personnel, research analysts, and portfolio managers. The Code of Ethics will generally be supplemented by other relevant Fidelity policies, including the Policy on Inside Information, Rules for Broker-Dealer Employees, and other written policies and procedures adopted by Fidelity and Strategic. A copy of the Code of Ethics will be provided upon request.

### **Personal Trading**

Strategic's Crosby Advisors employees may invest in the same securities that are recommended to clients. Crosby Advisors employees are subject to the Code of Ethics which requires that all Crosby Advisors employees pre-clear any investments made in any security covered by the Code of Ethics through the Fidelity Investments Ethics Office. Crosby Advisors employees must also pre-clear these trades through Crosby Advisors Compliance. Any employee trade placed at or about the same time as a Crosby Advisors trade placed on behalf of a client for the same security must be such that the employee trade does not benefit from the trade placed on behalf of the client.

Crosby Advisors Compliance conducts a post-trade quarterly review of all employee trades against all Crosby Advisors trades. Trades are reviewed for apparent insider trading, excessive trading, trades placed ahead or in conflict of client trades, or tandem trading among employees. Notification of the results of this review is provided to Crosby Advisors management.

## **BROKERAGE PRACTICES**

Strategic does not solicit or accept any “soft dollar” benefits in connection with directing brokerage business to any broker or dealer, including products, research, or services.

We do not consider, in selecting or recommending broker-dealers, whether we or a related person to us receives client referrals from a broker-dealer or third party. The Crosby Advisors Investment Team is authorized to place transactions with affiliated registered broker-dealers or transfer agents. We may place trades with Fidelity Capital Markets, a division of National Financial Services LLC. Fidelity Capital Markets transmits orders for execution to various exchanges or market centers based on a number of factors.

Fidelity Capital Markets may receive compensation or other consideration for directing client orders to particular broker-dealers or market centers for execution. We reasonably believe that the quality of the execution of transactions is comparable to or more favorable than what could be obtained through other qualified broker-dealer firms. To that effect and in order to continuously assure the quality of the execution, we receive Institutional Equity Quality reporting from Fidelity Capital Markets, monitoring the quality of the execution of transactions allocated to Fidelity Capital Markets. National Financial Services LLC also provides custodial and related record keeping and reporting services to clients, for which it receives compensation.

Competitive commission rates for individual security transactions have been negotiated with Fidelity Capital Markets for Crosby Advisors trades. The Investment Team may allocate a significant percentage of client orders to Fidelity Capital Markets subject to Strategic’s obligation to obtain best execution. The Investment Team considers a number of factors including the broker or dealer’s execution capabilities, reputation, and access to the markets for the securities being traded. Although the Investment Team generally seeks competitive commission rates, it does not necessarily attempt to obtain the lowest possible commission. As stated above, the Investment Team reasonably believes that the quality of Fidelity Capital Markets’ execution is comparable to or more favorable than that of other qualified broker dealer firms.

## **REVIEW OF ACCOUNTS**

Client accounts are managed in accordance with the governing investment management agreements. Crosby Advisors portfolio managers review their assigned portfolios regularly and make changes as conditions warrant.

Crosby Advisors Investment Committee meets periodically, generally monthly, and has responsibility for reviewing and overseeing the management of client accounts. Other reviews, as deemed appropriate by any member of the Investment Committee, may be performed in response to events, such as when substantial contributions or withdrawals are made.

## **Client Statements**

As a Crosby Advisors client you will receive statements of holdings and transactions from the qualified custodian, National Financial Services LLC, at least quarterly, and may also receive statements from Crosby Advisors. You will also receive annual performance reports. Statements may be distributed by paper or electronically, or by electronic access to systems maintained by Crosby Advisors or the qualified custodian. If statements are received from Crosby Advisors, we urge you to compare the holdings and transaction information on your Crosby Advisors statements with those you receive from National Financial Services LLC, the qualified custodian.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Fidelity Management & Research Company and its affiliates and subsidiaries are compensated for providing services to one or more of the funds in which Strategic's clients may invest. These would include Fidelity Management & Research Company and subsidiaries as the investment adviser for the Fidelity funds, Fidelity Distributors Corporation as the underwriter of the Fidelity funds, Fidelity Service Company, Inc. as the transfer agent for certain of the Fidelity funds, Fidelity Investments Institutional Operations Company, Inc. as transfer agent for the Fidelity funds, servicing agent for non-Fidelity funds and as record keeper of certain workplace savings plans, and Fidelity Management Trust Company as the custodian for certain assets. Fidelity Management Trust Company may also be compensated for providing investment management services to one or more of the bank's investment products recommended by Strategic.

In addition, one or more broker-dealer affiliates of the Fidelity funds may execute portfolio transactions for the funds. Fidelity Management & Research Company may obtain brokerage or research services, consistent with Section 28(e) of the Exchange Act, from broker-dealers in connection with the execution of the Fidelity mutual funds' portfolio security transactions.

In connection with client's investments, our affiliates are compensated for providing distribution, transfer agency, servicing, and custodial services to certain Fidelity and non-Fidelity investments. The compensation that Strategic and our affiliates receive as a result of a client's investment in Fidelity-managed investments may exceed the compensation received from a client's or participant's investments in non-Fidelity investment options. The mutual fund fees and expenses for the various services that Strategic or our affiliates provide to the funds are disclosed in each Fidelity fund prospectus. These fees and expenses are paid by the Fidelity funds and are ultimately borne by the funds' shareholders.

Strategic and its affiliates may allocate brokerage transactions to brokers (who are not affiliates of Strategic or its affiliates) who have entered into arrangements with Strategic or its affiliates under which the broker, using predetermined methodology, rebates a portion of the compensation paid by the fund to offset that fund's expenses, which may be paid to Strategic or its affiliates. Not all brokers with whom the fund trades have agreed to participate in brokerage commission recapture. Strategic expects that brokers from whom Strategic or its affiliates purchase research products and services with hard dollars are unlikely to participate in commission recapture.

## **CUSTODY**

In order to participate in the Crosby Advisors service, you must generally establish a brokerage account with FBS, a registered broker-dealer and an affiliate of Strategic. Additionally, you must generally enter into a custody agreement with Strategic and National Financial Services LLC. National Financial Services LLC, an affiliate of Strategic and a member of NYSE and SIPC, has custody of client assets and will perform certain account services, including the implementation of discretionary management instructions, as well as custodial and related services. We urge you to compare the holdings and transaction information on any Crosby Advisors statements you may receive with those you receive from National Financial Services LLC, the qualified custodian.

## **INVESTMENT DISCRETION**

Strategic's investment management services offered through Crosby Advisors generally include discretionary authority to determine which securities to purchase or sell, the total amount of such purchases and sales and the brokers or dealers through which transactions are effected. However, Strategic's discretionary authority may be subject to certain limits, including the applicable investment objectives, policies and restrictions. These limitations may be based on a variety of factors such as regulatory constraints as well as those imposed by you and agreed on by the Chief Investment Officer in accordance with applicable laws.

Prior to accepting a new client, Crosby generally interviews each client and explains the Service's investment methodology. Crosby generally considers your financial situation, investment experience, and investment objectives when determining suitable advice. Crosby's investment personnel perform research to ensure its discretionary trades are appropriate based on your situation. Crosby Advisors has discretionary authority to determine whether the same securities for several clients of the same portfolio manager should be purchased or sold at the same time.

Such orders may be aggregated in block orders to facilitate obtaining best execution, to negotiate more favorable commission rates, or to allocate the effects of any market fluctuations equitably among clients. When securities are traded for multiple accounts of the same portfolio manager, such trades are allocated in a manner that treats each account fairly and impartially. Crosby Advisors has established allocation procedures, including averaging as to price and pro rata allocations on sales, to ensure the trades of the same portfolio manager are appropriate. Trades for certain foundation accounts managed by a portfolio manager with Fidelity Management & Research Company are generally placed in block orders and aggregated in with trades for accounts or mutual funds managed by Fidelity Management & Research Company and then allocated in a manner that treats each account fairly and impartially. Because the various Crosby Advisors portfolio managers trade independently of each other, the trade orders of a portfolio manager will not be aggregated and averaged as to price with trades of another portfolio manager. The portfolio managers may on any given day be trading the same security and could be trading in the opposite direction from another portfolio manager on the same day.

Generally, Crosby Advisors does not participate, but from time to time may purchase securities being offered, in an initial public offering ("IPO") for client accounts where Crosby Advisors believes the investment is appropriate. Crosby Advisors generally only participates in IPOs underwritten through National Financial Services LLC. Crosby Advisors obtains consent from each client participating in the

offering. IPOs are often oversubscribed and may trade at a premium in the secondary market. Due to limited availability, Crosby Advisors has imposed an administrative maximum on the number of accounts which participate in IPOs. When the number of shares in IPOs or other scarce investments available to Crosby Advisors is insufficient to meet the buying interest of the eligible accounts selected for participation, Crosby Advisors will allocate the IPO shares based on a rotational procedure designed to treat all clients fairly and equitably over time.

## **VOTING CLIENT SECURITIES**

### **Proxy Voting Policies and Procedures**

Strategic has authority to vote investment proxies on your behalf and has adopted written policies that are designed to ensure proxies are voted in the best interest of its clients and to resolve potential conflicts of interest. Voting of shares has been delegated to Fidelity Management & Research Company, an affiliated investment adviser; shares are voted in accordance with our proxy voting guidelines, which are administered by the Fidelity Management & Research Company Investment Proxy Research group.

Crosby Advisors has adopted formal written proxy voting guidelines (the “Guidelines”) that are designed to ensure that proxies are voted in a manner consistent with the best interests of shareholders. As a general rule, the Guidelines call for us to vote in favor of routine management proposals, in favor of incumbent directors, and to evaluate shareholder proposals by their likelihood to enhance the economic returns of the portfolio company or to maximize shareholder value.

Non-routine proposals not covered by the Guidelines or involving other special circumstances will be evaluated on a case-by-case basis with input from the appropriate Fidelity Management & Research Company analyst or portfolio manager, as applicable, subject to review by an attorney within Fidelity Management & Research Company’s General Counsel’s office and a member of senior management within the Investment Proxy Research group.

### **Proxy Summary of Guidelines**

#### ***Proposals Relating to Changes in Corporate Control***

The Guidelines generally oppose measures that are designed to prevent or obstruct corporate takeovers. Such measures include: fair price amendments, classified boards, “blank check” preferred stock, executive “golden parachutes,” shareholders rights plans (“poison pills”), supermajority provisions and any other provision that eliminates or limits shareholder rights.

#### ***Proposals Relating to Equity-based Compensation Plans***

While we evaluate equity-based compensation plans on a case-by-case basis, the Guidelines generally call for voting against plans or plan amendments that: cause excessive dilution to existing shareholders; have option exercise prices less than 100% of fair market value on the date of grant; include an evergreen provision; do not include minimum vesting requirements; provide for the acceleration of vesting of equity awards even though an actual change in control may not occur; or give the ability to reprice outstanding stock options without shareholder approval.

#### ***Proposals Relating to Shareholder Rights***

The Guidelines generally: (i) support simple majority voting, (ii) oppose cumulative voting, (iii) support confidential voting; and (iv) oppose supermajority voting requirements.

***Directors***

We will generally withhold authority for the election of all directors or directors on responsible committees if, among other things, a poison pill or other anti-takeover provision was adopted or extended without shareholder approval; options were repriced without shareholder approval; the board is not composed of a majority of independent directors; the director attended fewer than 75% of the aggregate number of board or committee meetings during the company's prior fiscal year; or executive compensation appears misaligned with shareholder interests or otherwise problematic, taking into account certain factors, which include, but are not limited to: (i) whether the company has an independent compensation committee; (ii) whether the compensation committee has authority to engage independent compensation consultants; and (iii) whether the company has admitted to or settled a regulatory proceeding relating to options backdating; (iv) whether, in the case of stock awards, the restriction period was less than three years, for non-performance-based awards, and less than one year for performance-based awards; (v) whether the compensation committee has lapsed or waived equity vesting restrictions; and (vi) whether the company has adopted or extended a golden parachute without shareholder approval.

***Executive Compensation***

We will generally vote for proposals to ratify executive compensation unless such compensation appears misaligned with shareholder interests or is otherwise problematic, taking into account certain factors, which include, but are not limited to: (i) whether the company has an independent compensation committee; (ii) whether the compensation committee engaged independent compensation consultants; and (iii) whether, in the case of stock awards, the restriction period was less than three years for non-performance-based awards, and less than one year for performance-based awards; (iv) whether the compensation committee has lapsed or waived equity vesting restrictions; and (v) whether the company has adopted or extended a golden parachute without shareholder approval. We will generally support an annual frequency for advisory votes on executive compensation.

***Conflicts of Interest***

The Guidelines have been designed so that proxies are voted in the best interests of Fidelity Management & Research Company's and its affiliates' clients, and to resolve potential conflicts of interest. Potential conflicts generally may arise in connection with business arrangements of Fidelity Management & Research Company or its affiliates. For example, our affiliates may manage or administer employee benefit plans, or provide brokerage, underwriting, insurance, or banking services to a company whose management is soliciting proxies. Strategic may also have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. Shares are voted in a manner consistent with the Guidelines and without regard to any other relationship, business or otherwise, that we may have with companies in which we invest client assets.

The Investment Proxy Research group, which is part of Fidelity Investment & Research Company's or its affiliates' Investment Services department, is charged with administering the Guidelines as agent to facilitate the voting of proxies relating to portfolio securities held by the Fidelity Funds. The Investment Proxy Research group votes proxies without regard to any other Fidelity companies' relationship, business or otherwise, with that portfolio company. Like other Fidelity employees, The Investment Proxy Research group employees have a fiduciary duty to never place their own personal interest ahead of the interests of fund shareholders, and are instructed to avoid actual and apparent conflicts of interest. In the event of a conflict of interest, The Investment Proxy Research group employees, like other Fidelity employees, will escalate to their managers or the Ethics Office, as appropriate, in accordance with Fidelity's corporate policy on conflicts of interest.

You may contact us directly to obtain a copy of the proxy voting guidelines and information on how your investment proxies were voted.

## **FINANCIAL INFORMATION**

Strategic Advisers, Inc. does not require or solicit prepayment of investment management fees in connection with the Crosby Advisors service.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Strategic Advisers, Inc. is not registered with any state securities authorities.