



# OSBORNE PARTNERS

Capital Management

## **Firm Brochure** (Part 2A of Form ADV)

**Osborne Partners Capital Management, LLC.**  
**580 California Street, Suite 1900**  
**San Francisco, CA 94104**  
**(415) 362-5637**  
**(415) 362-5996**  
**[www.osbornepartners.com](http://www.osbornepartners.com)**  
**Compliance E-mail: [shannon@osbornepartners.com](mailto:shannon@osbornepartners.com)**

This brochure provides information about the qualifications and business practices of Osborne Partners Capital Management, LLC "OPCM". If you have any questions about the contents of this brochure, please contact us at: (415) 362-5637, or by email at: [shannon@osbornepartners.com](mailto:shannon@osbornepartners.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.

Additional information about Osborne Partners Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 29, 2012

## Material Changes

### Annual Update

---

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

---

### Material Changes since the Last ADV Update

1. **Performance-Based Fees & Side by Side Management:** As of March 2012, Robert C. Gillooly no longer jointly manages the firm's investment limited partnership with Justin W. McNichols. Mr. McNichols will continue to manage the investment limited partnership.
2. **Advisory Business Location:** In January 2012, our office located in Palo Alto relocated to 535 Middlefield Road, Suite 160, Menlo Park, CA 94025.
3. **Client Referrals and Other Compensation:** OPCM has entered into an agreement with SIGFIG Wealth Management LLC. ("SIG FIG") for their client referral program. SIG FIG has agreed to introduce eligible investors to OPCM with whom SIG FIG has vetted and evaluated. OPCM will pay SIG FIG a fee of 20% of any advisory or management fee received by OPCM from the client for the life of OPCM's relationship with the client.
4. **Personal Trading by Employees:** Additional securities have been added to our approved list for employees to trade without requiring pre-clearance. The list of securities include an approved list of ETF's, limited investment opportunities with open ended subscriptions, fractional share sales (Less than 10 shares or fractional shares less than 1 share that is received from a spin-off or exchange of a security) and options on securities, indexes or currencies NOT held in client portfolios.
5. **Brokerage Practices – Selecting Brokerage Firms:** OPCM is building our relationships with TD Ameritrade and we may recommend TD Ameritrade to maintain custody of client assets and to execute trades for our client accounts. TD Ameritrade services include brokerage and custody.
6. **Soft Dollars:** Additional disclosure added detailing the trade away fees for TD Ameritrade, \$25 and Fidelity, \$20.
7. **Asset Management Process - Actively Manage Portfolio To Target Asset Class Ranges:** Due to market conditions and tactical decisions, clients may see greater movement between the minimum and maximum of their stated asset class ranges. In some instances, the stated range for the cash allocation may exceed the maximum ranges for a short period of time due to portfolio considerations which may include a bond maturity, a position being sold and the reinvestment of the proceeds not occurring simultaneously.
8. **Asset Management Process – Build a Customized Portfolio:** Due to market conditions, portfolios will be constructed over the course of one to six months.

---

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (415) 362-5637 or by email at: [Shannon@osbornepartners.com](mailto:Shannon@osbornepartners.com).

## Table of Contents

<b>Material Changes.....</b>	<b>i</b>
Annual Update.....	i
Material Changes since the Last ADV Update .....	i
Full Brochure Available.....	ii
<b>Advisory Business.....</b>	<b>I</b>
Firm Description.....	I
Principal Owners .....	I
Tailored Relationships .....	I
Client Imposed Restrictions .....	2
Types of Advisory Services.....	2
Assets Under Management.....	3
<b>Fees and Compensation .....</b>	<b>3</b>
Description .....	3
Fee Billing.....	5
Other Fees .....	6
Types of Agreements.....	6
Advisory Service Agreement.....	6
Asset Management Process .....	6
Termination of Agreement.....	7
<b>Performance-Based Fees &amp; Side by Side Management .....</b>	<b>7</b>
Capital Gains Sharing .....	7
<b>Types of Clients.....</b>	<b>8</b>
Description .....	8
Account Minimums.....	9
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>9</b>
Methods of Analysis .....	9
Investment Strategies.....	9
Risk of Loss .....	11
<b>Disciplinary Information.....</b>	<b>13</b>
Legal and Disciplinary.....	13
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>13</b>
Financial Industry Activities .....	13
Affiliations.....	13
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>14</b>
Code of Ethics .....	14

Insider Trading.....	14
Favoritism, Entertainment and Gifts .....	14
Participation or Interest in Client Transactions.....	14
Personal Trading.....	15
<b>Brokerage Practices.....</b>	<b>17</b>
Selecting Brokerage Firms .....	17
Best Execution.....	18
Soft Dollars .....	19
Trade Error Correction.....	21
Directed Brokerage Accounts .....	21
Order Aggregation .....	22
<b>Review of Accounts.....</b>	<b>22</b>
Periodic Reviews.....	22
Review Triggers .....	23
Regular Reports .....	23
<b>Client Referrals and Other Compensation .....</b>	<b>23</b>
Incoming Referrals.....	23
Referrals Out.....	25
Other Compensation.....	25
<b>Custody .....</b>	<b>25</b>
Account Statements .....	25
Performance Reports.....	25
<b>Investment Discretion .....</b>	<b>25</b>
Discretionary Authority for Trading .....	25
Limited Power of Attorney .....	26
<b>Voting Client Securities.....</b>	<b>26</b>
Proxy Votes .....	26
<b>Financial Information.....</b>	<b>27</b>
Financial Condition.....	27
<b>Class Action Lawsuits .....</b>	<b>27</b>
Claim Filing.....	27
<b>Business Continuity Plan .....</b>	<b>27</b>
General .....	27
Disasters .....	27
Alternate Offices.....	28
Loss of Key Personnel .....	28

<b>Information Security Program .....</b>	<b>28</b>
Information Security.....	28
Privacy Policy .....	28

## Advisory Business

---

### Firm Description

Our firm was founded in 1937 and has been registered under various names since the original inception. In 2001, the firm transitioned to OSBORNE PARTNERS CAPITAL MANAGEMENT, LLC., (“OPCM”). The firm has two offices, one located in San Francisco and one located in Menlo Park. The San Francisco office is the main headquarters.

San Francisco Office  
580 California Street, Suite 1900  
San Francisco, CA 94104  
Phone: (415) 362-5637  
Fax: (415) 362-5996

Silicon Valley Office  
535 Middlefield Road, Suite 160  
Menlo Park, CA 94025  
Phone: (650) 854-5000  
Fax: (650) 854-5661

The firm is a Registered Investment Advisor (“RIA”) with the Securities and Exchange Commission (“SEC”), however being registered with the SEC is not meant to imply a specific level of training or skill.

We encourage the reader to carefully read this document to examine OPCM and our practices, and to discuss any potential business relationship with your own knowledgeable business advisers and legal counsel.

---

### Principal Owners

The majority ownership of the firm is held by employees of the firm.  
Charles D. Osborne is a 4.30% shareholder.  
Robert C. Gillooly is a 16.93% shareholder.  
Justin W. McNichols is a 16.93% shareholder.  
Deglin F. Kenealy is a 15.00% shareholder.  
Shannon S. Lemon is a 3.92% shareholder.  
OPCM Holdings, LLC\* is a 33.73% shareholder.  
River Birch Capital Partners, LP \*\* is a 9.20% shareholder.

\* Norman D. Villarina is a Director of Industry Capital Partners II, LLC., which is the entity that owns the interest listed above.

\*\* Robert G. Hedlund II is a Director of River Birch Capital GP, LLC., which is the entity that owns the interest listed above.

---

### Tailored Relationships

OPCM provides personalized confidential investment management to individuals, families, trusts, estates, conservatorships, foundations, endowments, corporations or business entities and pension and profit sharing plans, charitable organizations, public funds, investment limited partnerships, 401(k) self directed accounts, IRAs and retirement plans. OPCM client portfolios are customized, tax-efficient, liquid and actively managed in-house by our investment team. We tailor and manage each portfolio according to an individually prepared client Investment Guideline and Objective Statement, which reflects the specific financial objectives, taxability, and risk tolerance of the client.

---

## Client Imposed Restrictions

Clients may impose restrictions on investing in certain securities or types of securities or asset classes, in accordance with their values or beliefs. When imposing a restriction, we require restrictions be given at the start of the relationship, be focused, naming specific securities and detailed in writing and approved by OPCM and the client. Broad or vague restrictions will not be honored.

Our view is that certain types of restrictions requested by a client can be vague, broad in nature, and be very subjective. One such example of a vague restriction is “no sin stocks”. Due to the vague nature of what a “sin stock” is, the firm cannot enforce such restrictions. The restriction must detail the specific securities that OPCM would be prohibited from purchasing.

Our first and foremost priority is to purchase securities in client accounts that provide the best overall growth for the client to reach their investment objectives and goals, while taking into consideration the client’s tolerance for risk.

---

## Types of Advisory Services

OPCM provides investment advisory services on a discretionary and non-discretionary asset management basis for individuals, foundations, endowments, conservatorships, pension and profit sharing plans, public funds, investment limited partnerships, 401(k) self directed accounts, IRAs and retirement plans. We tailor and manage each portfolio according to individually prepared Investment Guidelines and Objectives Statement, which reflects the specific financial objectives, taxability, and risk tolerance of the client.

We may also participate in selected Wrap Fee Programs and provide investment advisory services to accounts with custody at a broker-dealer. A Wrap Fee Program is an arrangement between a broker-dealer and other financial institutions, who act as the plan sponsors of an investment program through which their clients can receive discretionary investment advisory services. The wrap program sponsor provides the investment platform, execution services, clearing, and custodial services in a “bundled” form, meaning the client is charged one fee for all services. The fee charged is usually based on a percentage of the assets held in the account. When OPCM manages wrap accounts, we will manage the accounts in the same manner as our advisory clients with the investment and financial objectives provided by the broker-dealer.

The five types of portfolios OPCM actively manages for our clients are as follows: a Global Multi-Asset Class Investment Portfolio, a Global ETF Investment Portfolio, an Equity Investment Portfolio, a Fixed Income Portfolio and an Absolute Return Limited Partnership.

For our Global Investment Portfolio, portfolios are comprised of two or more of the following five asset classes: equities, fixed income, natural resources, REITS and alternative asset classes, including private equity.

For our ETF Global Investment Portfolio, portfolios are comprised of Exchange Traded Funds, minimizing the risk of individual securities, with two or more of the following five asset classes: equities, fixed income, natural resources, REITS and alternative asset classes, including private equity.



For our Equity Investment Portfolio, we provide a value approach to growth investing. We focus on a company's earnings growth, balance sheet quality and valuation with further concentration on strong fundamentals, industry leadership, management, and strong financial trends.

For our Fixed Income Investment Portfolio, our discipline revolves around high quality issues with the highest yield for the lowest maturity and duration.

Finally, the firm manages an Absolute Return Limited Partnership. The Limited Partnership is only open to individuals who meet the accredited investor standards and are personally known by an employee of the firm or have been a client of the firm for at least one year. The Partnership invests in and trades securities, consisting principally, but not solely, of equity and equity related securities that are traded publicly in U.S. markets. The Partnership may also invest in preferred stocks, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options) and other derivative instruments, bonds and other fixed income securities, private securities, non-U.S. securities and money market instruments. The Partnership also engages in short selling and hedging and may engage in margin trading and other investment strategies. The firm provides a separate brochure for this investment strategy to qualified investors.

We are long-term investors who are dedicated to achieving our clients' goals and objectives.

---

#### Assets Under Management

OPCM manages approximately \$1,072,127,351 in assets for approximately 407 client relationships as of December 31, 2011. The assets are broken down as follows:

OPCM manages \$894,464,623 on a discretionary basis.

OPCM manages \$177,662,728 on a non-discretionary basis.

#### Method for Calculation:

OPCM calculates our total assets under management using the market total value of the discretionary, non-discretionary and pooled investment accounts. Our discretionary accounts include all investment advisory clients that we actively manage and charge an investment management fee for our services. Our discretionary employee accounts include accounts that are monitored, supervised and follow an investment model strategy managed by a member of our portfolio management team. Employee accounts managed according to a model strategy may or may not be charged an investment management fee. Our non-discretionary accounts include accounts that we monitor, supervise and charge an investment management fee but we do not have full discretionary trading authority.

---

#### Fees and Compensation

##### Description

OPCM manages separate accounts with a minimum relationship requirement of \$1 million in assets. OPCM will primarily manage accounts on a fully discretionary basis; however, the firm will manage accounts on a non-discretionary basis under special circumstances. OPCM's investment management services incorporate investment programs specifically

tailored to reflect each client's individual circumstances. The management fee OPCM charges is a percentage of the market value of the supervised assets held in the client's account as of the last business day of the quarter. Fees are billed in arrears, however some legacy clients are billed in advance based on the market value of the supervised assets held in the account as of the last business day of the prior quarter end. We will invoice our clients in the month of the following quarter. In most cases, client fees are debited directly from the account, after we receive written authorization from you. Some clients may choose to pay their fees from an account not managed by the firm and in those cases; we issue an invoice directly to the client. Legacy clients of the firm may have different fee schedules that may be higher or lower than the firm's current fee schedule, based on when the client's account(s) were established. Listed below is the firm's current fee schedule:

\$0,000,000-\$999,999 - 1.25%  
\$1,000,000-\$4,999,999 - 1.00%  
Assets over \$5,000,000 - 0.50%

We will negotiate fees for accounts over \$10,000,000 on a per contract basis after an analysis of the account has been completed. In addition, depending on the relationship, multiple portfolios with a common interest may be combined as one for billing purposes. The firm in its sole discretion may waive the minimum asset requirement and charge a minimum fee for providing investment management services based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.). As a benefit to employees and former employees, the firm may offer discretionary investment management services to such individuals, their families and their estates at a discounted fee.

If a client requests the firm to hold cash for a special purpose, has a concentrated position or has low cost securities that the client desires periodic counsel on but does not want day to day discretionary management, the firm may request clients maintain a non-discretionary supervisory account and charge an annual fee of \$250 or charge 0.25% of assets under management, whichever is greater. The fee would be calculated and payable on a quarterly basis in the same manner as described above.

OPCM determines the market value of the account based on a hierarchy of data price files we receive from our clients' custodians. We use the data files for the pricing of securities held in client portfolios. We periodically review the accuracy of data received by each custodian to determine which custodians and price files we will use as the primary source of pricing for our client portfolios. OPCM will also use Market Data Manager "MDM" for the pricing of bonds and all other securities not priced via data feeds from custodians. In determining the net asset value of a portfolio, OPCM uses the following guidelines: (a) for marketable securities, we will use the current market price, (b) for securities for which there exists no active market (including unsupervised assets, privately or closely held securities and limited partnerships, real estate, and other fixed asset securities that are not priced via a national exchange), we shall use such information as we deem in good faith relevant to determine the value thereof and value the security periodically, which means the value shown on reports may lag the current market value (in the absence of a readily determinable value, such securities will be valued at cost), and (c) we will value cash at its dollar value. OPCM shall use all information in good faith to determine the market value of the account for billing.

Manager Selection Programs:

OPCM may participate in manager selection sub-advisory programs. The firm will generally receive fees for these Program Sponsored Accounts ranging between 0.50% to 0.75% of the assets under management.

Additional Compensation:

The firm acts as the General Partner and is the primary adviser for our Limited Partnership. The firm receives an annual fee of 1% of assets under management and reserves the right to waive the annual management fee paid by the fund. The fee is payable in quarterly installments at the beginning of each calendar quarter, is based on the net market value of each limited partner's capital account on the date the fee accrues and becomes payable. The firm also typically is allocated a performance allocation equal to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to that limited partner from each limited partner. Performance allocations are assessed in arrears on an annual basis, and are only applied to profits that exceed the cumulative losses previously incurred by or allocated to the respective limited partners.

The firm does not receive any additional compensation from the sale of securities or other products from brokers or mutual fund companies.

Consulting:

OPCM may charge a fixed fee, based on the complexity of the advice, to third parties requesting an evaluation of assets held in a portfolio. The one time evaluation of a portfolio's assets will typically be completed for estate accounts, as requested by an Estate Attorney, an Executor of an Estate or a CPA. If it is necessary to obtain the services of other professionals (such as estate attorneys or accountants), OPCM will bill those fees directly to the client; the firm will not incur such costs without prior client approval.

---

Fee Billing

OPCM will bill our investment management fees quarterly, either in arrears or for some legacy clients, with a predecessor firm, in advance. The firm will invoice the client AFTER the three-month billing period has ENDED. For those legacy clients billed in advance, the client will be invoiced BEFORE the period has been completed. We will expect payment in full upon invoice presentation. OPCM usually deducts fees directly from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account. If the client has not given the firm direct debit authorization, the invoice will be mailed to the client at their address of record.

Initial Billing:

We do not receive fees for exploratory meetings for you as the client to determine the extent to which the firm's investment management services may be beneficial to you prior to entering into our investment management agreement. We will begin billing your account for investment management services on the date the firm receives and executes the signed investment management agreement. The initial billing date will generally begin prior to the first trade ever being place in the account, due to the internal set-up required for each account.

---

## Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. In certain instances, OPCM may use mutual funds as part of the overall investment strategy of the portfolio. Mutual Fund Managers charge an investment management fee to the respective fund and this fee is an addition to any fees charged by OPCM. Our investment and portfolio management team feels the selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Custodians may also charge other fees to maintain the account or fees for additional services. Examples of such fees may include wire fees and alternative investment custody fees.

---

## Types of Agreements

OPCM provides investment advisory services on a discretionary basis for the majority of our clients; however, we do provide non-discretionary asset management services under certain circumstances.

---

### Advisory Service Agreement

OPCM's advisory service agreement gives us the authority to buy and sell securities for our designated client accounts. In addition to our agreement, the custodian requires a limited power of attorney signed by the client to allow us to transact within our client accounts.

---

### Asset Management Process

OPCM believes in managing our client portfolios based on the following criteria:

- **Accumulate Client Characteristics Through Meetings**

Through our meetings and using the OPCM client questionnaire, your assigned team creates a profile which includes your ability and willingness to assume risk, potential return target, time horizon, taxation issues, income and liquidity needs, and total portfolio allocation, including portfolios held outside of OPCM.

- **Create A Customized Investment Policy Guidelines (IPG)**

Our Portfolio Counselors and our investment management team create a customized IPG suited to your individual variables. The IPG includes information obtained during meetings, along with permitted ranges and targets for each actively managed OPCM asset class. The IPG confirms you and the investment team agree on the proper asset allocation and variables. Once the IPG is signed by you and a member of our investment team, the portfolio construction begins.

- **Build Customized Portfolio**

Depending on market conditions in each asset class, along with capital gains considerations, your portfolio will be typically constructed over the course of one to six months. Your portfolio is built to your customized IPG.

- **Actively Manage Portfolio To Target Asset Class Ranges**

Each asset class in your portfolio will be actively managed and allocated within your IPG asset class ranges. Asset class allocation changes will be made per the investment team's

fundamental and valuation outlook for the asset class. Our portfolio management team will work to keep the asset allocations and cash balance at or around the target percentage, however market conditions and tactical decisions may result in movement between the minimum and maximum of the stated ranges. In some instances, the stated range for the cash allocation may exceed the maximum ranges for a short period of time due to portfolio consideration which may include a bond maturity, a position being sold and the reinvestment of the proceeds not occurring simultaneously.

---

#### Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying us 30 days in advance, either in writing or electronically via e-mail. The termination notice will not affect commitments actually made prior to receiving the termination notice. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value as of the termination date will be used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

For clients billed in arrears, we will issue a closing fee bill based on the number of days you received investment management services in the current quarter. If we are authorized to debit the fee directly from your account at the time of termination, we will debit the fee from your account for the balance due. If we are not able to debit your account directly or if you have not authorized us to debit the account directly, we will issue you a closing bill for payment. You are responsible for paying any balance due to OPCM. In either instance, we will provide you a copy of the closing fee bill for your records.

For clients billed in advance, we will issue you a refund based on the number of days you received investment management services in the current quarter. We will either credit your account directly for the refund or issue your account a refund in the form of a check to your address of record. We will issue a refund to you within 30 days of the termination notice.

We may terminate any of the aforementioned agreements at any time by notifying you in writing. In addition, OPCM reserves the right to terminate any investment advisory services when a client fails to provide pertinent information about their account or financial situation when it is necessary and appropriate, and in our judgment, when the lack of information impairs us from properly providing prudent investment and or financial advice.

---

#### Performance-Based Fees & Side by Side Management

##### Capital Gains Sharing

OPCM provides investment advisory services on a discretionary and non-discretionary basis for our advisory clients and we also manage an investment limited partnership that does charge fees based on a share of the capital gains or capital appreciation of the managed securities. The specific information regarding the fee received and the calculation of the fee is listed in “Fees and Compensation Section” under “Other Compensation”. The firm does not use a performance-based fee structure for our separately managed advisory accounts due to the potential conflict of interest.

Justin W. McNichols, a portfolio manager of the firm, manages the firm's investment limited partnership. Mr. McNichols also manages accounts for our advisory clients in addition to the partnership. A potential conflict of interest may arise in that securities purchased/sold in the investment limited partnership may also be purchased/sold in accounts for our advisory clients and the firm does not specify a specific order to which trading for advisory clients or the limited partnership should occur. Another potential conflict of interest is the investment limited partnership may purchase or sell securities contrary to the securities being purchased or sold for our advisory client relationships. Given the firm does receive a fee based on the performance of the fund, the portfolio managers may have incentive to trade in the fund before our advisory clients. In order to address this conflict, Mr. McNichols will on a best effort basis, use a rotation system or average price for securities purchased/sold in both the investment limited partnership and separately managed advisory accounts when the same security is traded on the same day. In addition, the firm will try to aggregate trades for multiple accounts, when appropriate, and allocate the trades using an average cost when an appropriate threshold of accounts is reached, when trading in the same security on the same day. The majority of the members of the investment limited partnership are also our advisory clients and the fund may be used in conjunction with the overall asset allocation and management of the client's account. For those clients that hold the investment limited partnership and are an advisory client, the firm does not charge the advisory client a fee for those assets invested in the fund when the quarterly billing is generated for the account. The market value of the investment limited partnership is excluded from the market value used for the fee bill calculation. The investment limited partnership investment strategy and the performance-based compensation the firm receives, may create an incentive for the portfolio manager to recommend the investment limited partnership to our clients. Clients should be aware that the investment limited partnership fund carries a higher degree of risk than that of our actively managed portfolios.

As described above, investment management fee schedules may vary from client to client, depending on account circumstances. OPCM's fees may also vary by account size. Thus, there are potential conflicts of interest over a portfolio manager's time that is devoted to managing any one account and allocating investment opportunities among our client accounts. Furthermore, the portfolio managers of the firm may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other advisory client. When the firm trades in any given security, not all clients will participate in the execution of the trades or receive a pro-rata allocation if they have different investment objectives, risk characteristics and restrictions, varying cash flow, portfolio composition and tax considerations at the time the trades are executed. In addition, not all securities considered for purchase and sale by the firm will be considered for all clients and investment products. A client's investment objective or the firm product objective may not be appropriate for all clients or products.

#### Types of Clients

---

##### Description

OPCM generally provides investment management services to the following:

Individuals, families, trusts, estates, conservatorships, foundations, endowments, corporations or business entities and pension and profit sharing plans, charitable organizations, public funds, investment limited partnerships, 401(k) self directed accounts, IRAs and retirement plans.

---

## Account Minimums

Our minimum account relationship size is \$1,000,000 of assets under management, which equates to an annual fee of \$12,500.

OPCM has the discretion to waive the account relationship minimum. Accounts of less than \$1,000,000 may be set up when the client and OPCM anticipate the client will add additional funds to the accounts bringing the total to \$1,000,000 within a reasonable time. Other exceptions will apply to employees of OPCM and their relatives, or relatives of existing clients.

Clients with assets below the minimum relationship size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

Typically the firm will not accept individual accounts within the client relationship below \$100,000.

OPCM may also participate in manager selection sub-advisory programs; we will require a minimum account size of \$250,000.

---

## Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

OPCM's security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases. OPCM also uses our portfolio managers and research analysts to gather information by attending Analyst Day Conferences sponsored by companies or virtually attend via video conference presentations, OPCM's portfolio management staff and research analysts may also make visits to a company's head quarters to speak with key employees within the company or participate in virtual presentations.

Other sources of information that OPCM may use include Baseline Research Terminals, Bloomberg Research Terminals, Reuters on-line research reports, Morningstar Principia mutual fund information, and the World Wide Web.

---

### Investment Strategies

OPCM believes that an actively managed, diversified portfolio of multiple asset classes, results in long-term, risk-adjusted performance over time. We believe that individuals should have access to multi-asset class portfolios, without higher fees, higher volatility, low liquidity, no customization, and poor tax efficiency.

We also believe a skilled investment management team adds value to portfolio management and over time, low downside capture is the most important ingredient for long-term

performance. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during the initial stages of establishing our relationship. The client may change these objectives at any time. The Investment Policy Statement documents our client's objectives and their desired investment strategy. Depending on market conditions in each asset class, we will typically construct a portfolio with the client's specific asset allocation over a three month time period. The firm does not buy or sell securities in our client accounts on margin.

Each asset class in our client portfolios are actively managed and with long-term trading strategies. Each of our asset class strategies are detailed below:

### **Equities**

OPCM may purchase individual stocks and/or Exchange Traded Funds "ETF's" in this asset class. We research the equities we consider for investment in our client portfolios using a team approach.

For individual stocks, OPCM uses a methodical three-stage discipline, described as "a value approach to growth investing" to actively manage the equity asset class. First, the investment team quantitatively screens a universe of the 1000 largest companies for earnings growth, balance sheet quality, and valuation. Second, the team fundamentally analyzes the screened universe. The team then produces internal research reports on companies, concentrating on strong fundamentals, industry leadership, management, along with valuation and strong financial trends. Third, from this further screened universe, the team builds and manages a portfolio of 30-40 individual companies. We specifically look at companies with a market cap above \$1B, annual earnings growth >10%, lower debt, higher S&P rating, low absolute and relative valuation. The equity asset class is used for growth in a customized portfolio.

We may also choose to purchase an ETF, rather than an individual common stock position, to provide broader investing opportunities in our client portfolios. ETF's serve to augment our core holdings with specialized investing opportunities in small cap stocks, particular sectors, foreign and emerging markets. When using ETF's for broader investing opportunities or to augment our core holdings; ETF's provide exposure to all the underlying stocks within the index, while offsetting the risks of owning individual stocks and also providing immediate diversification.

### **Fixed Income**

OPCM's investment management team uses a three-stage discipline to actively manage the fixed income asset class. We may purchase individual bonds and/or fixed income funds in this asset class. We use a modified ladder approach for individual bonds to capture the best combination of yield, maturity, and duration using high quality individual bonds. Our discipline revolves around purchasing bonds with the highest yield for the lowest maturity and duration. We purchase bonds all along the yield curve, thus holdings will vary from shorter term to longer term based on the slope and steepness of the yield curve. We also use low cost fixed income funds for a further source of diversification within a portfolio. The fixed income asset class is used for income generation and risk reduction.



**Natural Resources**

OPCM's investment management team actively manages this asset class with allocations to three subclasses. Depending on the team's fundamental conclusion on the level of inflation, and fundamental opinion of the subclasses, the team strategically allocates to commodities, energy, and alternative energy (solar, wind, water). The individual issues within the sub-segments may be over and underweighted. The natural resource asset class is used for an inflation hedge, growth, and the lower correlation to other asset classes.

**Real Estate**

OPCM's investment management team builds this asset class using individual, liquid REITs versus actual hard assets. This strategy increases liquidity, reduces risk, and may increase income. OPCM's investment management team analyzes the macro and micro aspects of the global real estate market to first isolate a macro overweight, neutral, or underweight stance on the asset class. Next, the team targets allocations to domestic versus international real estate. Third, on a micro basis, the team selects individual issues. The real estate asset class is used for income generation, increased liquidity and the lower correlation to other asset classes.

**Alternative Investments**

OPCM's investment team uses individual issues and funds to gain access to small percentages of other asset classes such as private equity. Secondly, the team hedges the overall portfolio in areas of currency, interest rates, and volatility. Depending on the customized asset allocation, a client may be allocated over one or more subclasses such as long/short, private equity, and futures. The alternatives asset class is used for growth and risk reduction.

**Investment Limited Partnership**

OPCM's Investment Limited Partnership may include short-term purchases, frequent trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). The investment limited partnership is available to accredited investors only and this strategy is not appropriate for all clients. A separate brochure is required for the investment limited partnership.

---

**Risk of Loss**

All investment programs have certain risks that are borne by the client. Our investment approach focuses on minimizing loss for our clients in a down market, which we believe to be one of the most important aspects for longer-term performance; however, we are not implying that a client will not experience a loss. Clients face the investment risks and our job as the advisor is to minimize the risk to the extent that is possible by purchasing securities that we feel addresses the following risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. As a firm, our strategy is to purchase fixed income securities with shorter durations so when rates increase, we can re-invest into higher yielding bonds.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. External factors independent of a security's particular underlying circumstances cause this type of risk. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Volatility Risk:** Investing in public markets involves risk and price volatility in the various asset classes. Annualized volatility can range from 5-20% for most asset classes utilized. Though we strive to balance our investments with lowly correlated assets to mitigate excessive volatility, there are times when asset class correlations are high and volatility can thus be high as well.
- **Material Risks:** Material risks involved may be due to broad economic weakness, company specific issues, and/or a lack of liquidity in public markets.
- **ETF Risk:** ETF's have the same risks of the underlying assets classes they represent. The ETF fund managers may not be able to replicate the performance of the respective markets they are investing in. Additionally, in times of market volatility, liquidity issues may cause difficulties in efficiently trading the fund which can result in a deflated value upon the sale.
- **ETN Risk:** Our strategies in some cases use Exchange Traded Notes (ETN's). These are vehicles whereby the performance is matched against a particular index and/or group of securities. In effect, this securities creditworthiness is based on the credit of the issuer.
- **Leverage Risk: Unusual risks are present in the limited partnership, whereby the fund is allowed to use leverage for it's' strategy. Leverage can cause positive or negative returns to be exacerbated.**
- **Trading Risk: More frequent trading strategies are used in the investment partnership. This may adversely affect performance due to higher trading commissions and short term gains being generated from security sales.**

## Disciplinary Information

---

### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

---

### Financial Industry Activities

Neither OPCM nor any of its key staff is registered as a broker-dealer or as a representative of a broker-dealer.

Neither OPCM nor any of its key staff is registered as a futures commission merchant, commodity pool operator or a commodity trading adviser.

OPCM does not use or select other advisers or third party managers. OPCM manages all of its client assets in house.

---

### Affiliations

OPCM may participate in manager selection programs and WRAP Programs with various brokerage firm or financial institutions. In these instances, the managing firm will generally execute the client's portfolio transactions without a separate commission charge, they will monitor OPCM's performance, act as the custodian, or provides a combination of these or other services, for a fee. These programs offer their clients discretionary investment management services through independent managers they have selected. These programs will generally either be a single contract program or a dual contract program.

When a client enters into a single contract relationship with the program, the client will sign a contract with the program sponsor directly, rather than signing a contract with OPCM. OPCM's contract will be with the plan sponsor and not the client. The client will typically pay a fee to the program sponsor. OPCM is expected to execute most brokerage transactions through the contracted broker to avoid incurring incremental costs that would be incurred by the use of other outside brokers. Transactions are effected "net" meaning any transaction or commission that may be charged is not detailed but is included in the overall transaction cost. A portion of the fee is generally considered in lieu of commissions. OPCM will receive our fee directly from the plan sponsor. We will not provide reports directly to the client. One potential conflict of interest for clients entering a single relationship contract is that OPCM will not negotiate fees or commissions with the program sponsor on behalf of the client as we may do for our separately managed advisory clients.

When a client enters into a dual contract with the program, the client will sign a contract with the program sponsor and OPCM. The client will typically pay a fee to the program sponsor and OPCM. OPCM is expected to execute most brokerage transactions through the contracted broker to avoid incurring incremental costs that would be incurred by the use of other outside brokers. Transactions are effected "net" meaning any transaction or commission that may be charged is not detailed but is included in the overall transaction cost. A portion of the fee is generally considered in lieu of commissions. OPCM will receive our fee directly from the client account at the negotiated rate agreed upon with the plan sponsor. In a dual contract relationship, OPCM will provide reports directly to the

client. One potential conflict of interest for clients entering a dual relationship contract is that OPCM will not negotiate fees or commissions with the program sponsor on behalf of the client as we may do for our separately managed advisory clients.

OPCM acts as a general partner of an investment limited partnership. The firm may solicit investors who may or may not be clients of the firm to invest in such partnership. The potential conflict of interest for our clients exists such that employee resources and firm resources may be allocated to servicing both our advisory clients and the investors in the fund.

---

#### Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

##### Code of Ethics

OPCM has adopted a Code of Ethics, which establishes standards of conduct for our employees. The Code of Ethics includes general requirements that employees have an obligation to put the client's interest first, as well as be fair and honest in working with our clients. We address applicable securities laws in our code of ethics, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. Our code of ethics requires employees to report their personal securities transactions and holdings quarterly to OPCM's Chief Compliance Officer, and requires our Chief Compliance Officer to review those reports. OPCM also requires employees to report any violations of the Code of Ethics promptly to the Chief Compliance Officer. Each employee receives a copy of the Code of Ethics. Employees certify annually that they will adhere to our Code of Ethics.

The employees of OPCM are committed to our Code of Ethics and the policy in full is available for review by clients and prospective clients upon request. The firm will provide a copy of our Code of Ethics to any client or prospective client upon request at no charge.

---

##### Insider Trading

OPCM's policy addresses the misuse of material non-public information.

---

##### Favoritism, Entertainment and Gifts

An employee may not seek or accept gifts, favors, preferential treatment, or valuable consideration of any kind offered from brokers or other companies or persons involved in the securities industry over \$250. Limited exceptions to this policy may be made with the approval of the CCO. An employee may not offer or give any gift, favor, preferential treatment or other valuable consideration of any kind in connection with OPCM's business, except for occasional and reasonable gifts and entertainment (if the employee is present). Employees must report any payment (including each gift and all entertainment) made in connection with OPCM's business to a labor organization (including any union-affiliated pension plan (a "Taft-Hartley Plan") and its officers, agents, shop stewards, employees or other representatives (such as union-appointed trustees). The CCO tracks all such payments by OPCM and its' employees.

---

##### Participation or Interest in Client Transactions

Employees may buy, sell or hold the same securities for their own accounts which are recommended for purchase or sale for our clients and held in their accounts. Employee securities transactions and transactions by accounts over which employees may have influence over are subject to policies and procedures, restrictions and reporting requirements as described below.

For specific investment models offered by the firm, Portfolio Managers will be allowed to invest their portfolios assets in the same manner as they manage for clients and in doing so, the portfolio managers will not be subject to the same reporting requirements and pre-clearance procedures as detailed below. The firm believes that Portfolio Managers should be able to experience the same performance that their clients experience and we feel this demonstrates to our clients that they believe in the fundamental investment strategies they are using for their clients. In order to avoid any potential conflicts of interest that could arise in trading with the clients in any particular investment strategy, the Portfolio Manager will be required to trade their assets according to the same investment policy discipline and guidelines for the investment strategy. The firm believes that the Portfolio Manager's trades will not be favored over client trades, as all trades will generally be placed as block trades, or grouped with client trades and fairly allocated over all client accounts within the investment strategy. Portfolio managers have a 3-6 month time period to allocate their portfolio holdings according to the model strategy. For new clients, it will generally take 3-6 months, depending on the market volatility to full allocate their portfolios so we feel this is a reasonable time frame for the Portfolio Managers to follow.

Supervised employees of the firm may not directly or indirectly purchase from or sell to a client of OPCM any security, unless the transaction is pre-approved in writing by the President or CCO. Employees are prohibited from ever holding customer funds or securities or acting in any capacity as custodian for a client account. Moreover, employees are prohibited from borrowing money or securities from any client of the firm and also from lending money to any client of the firm, unless the client is a member of the employee's immediate family. OPCM requires any deviation of this policy be approved in writing by the CCO or President.

---

#### Personal Trading

OPCM bases our policies and procedures upon the principal that the firm and our employees have a responsibility to place the interests of our clients ahead of our own. Given that supervised employees of OPCM may buy, sell or hold the same securities in their own accounts or accounts that they may have a beneficial interest in that the firm recommends to clients or that our clients may hold in their accounts, the firm requires supervised employees of OPCM to get pre-approval for their personal securities transactions with the following exceptions:

- U. S. Government and Federal Agency Obligations up to \$100,000
- Securities issued by any state or municipal subdivision up to \$100,000
- Mutual Funds
- Exchange Traded Funds "ETF" Trades of 1,000 shares or less per account or ETF's on OPCM's Approved list.
- Exchange Traded Funds "ETF" Trades of 1,000 shares or less per account
- Bankers' acceptances, bank certificates of deposit, commercial paper and high quality short term debt instruments, including repurchase agreements

- Shares of any registered open-end investment fund (of which OPCM is not an investment adviser)
- Purchases effected upon exercise of rights offered by an issuer pro-rata to all holders of a class of its securities, to the extent such rights are acquired from such issuer
- Unit Investment Trust
- Automatic Investment Plans
- Fractional Share Sales (Less than 10 shares or fractional shares less than 1 share that is received from a spin-off or exchange of a security)
- Limited Investment Opportunities are exempt when subscriptions are OPEN ended (Meaning the number of investors in the fund is not limited)
- Security Transactions for the employee's benefit over which they have no direct or indirect influence or control. (Another advisor manages the account(s) with full discretion or an Irrevocable Trust for employee's benefit)
- Options on securities, indexes or currencies NOT held in client portfolios
- Shares issued by money market funds.

If a supervised employee's trade does not meet any of the exemptions above, OPCM requires the employee to get approval for all securities transactions that are not exempt. We take steps in order to avoid any potential conflict of interest between the firm and our clients. We prohibit supervised employees from purchasing or selling the same securities, on the same day, if we execute any of those same securities in our client accounts. In order to monitor this policy, a pre-clearance group, consisting of our Portfolio Managers, Members of the Investment Team, our Trading Staff and the CCO, review the trade request prior to approval. If the firm's trading staff does not have any pending trades in our trade management software, and none of the portfolio managers are planning to trade the requested security/securities in their clients' accounts, the employee will receive approval to execute the trade. Approval remains in effect until the end of the business day requested. If the firm has a pending trade or any portfolio manager has plans to execute trades in the requested security/securities, OPCM will deny the employee approval. A violation in the policy results in a \$500 penalty in the form of a donation to a charity by the employee.

Our policy discourages margin accounts, although employees may open or maintain a margin account with a brokerage firm if the employee maintains a regular brokerage account for a minimum of six months. The President or the CCO may waive this provision upon written request by the employee.

All employees are also subject to quarterly and annual reporting requirements. Employees must file their reports with the CCO.

The firm views an employee having a beneficial interest in a personal account if the securities held are in their name, the name of their spouse, and the names of their children who reside within the same household. Security transactions in accounts in which a supervised employee has a beneficial interest, but over which he/she has no direct or indirect control, are not subject to the trading restrictions of this Code, however, supervised employees should advise OPCM in writing, giving the name of the account, the person(s) or firm(s) responsible for its' management, and the reason for believing that the account should be exempt from reporting requirements under this Code.

The Chief Compliance Officer of OPCM is Shannon S. Lemon. Ms. Lemon reviews all employee trades each quarter. Robert C. Gillooly reviews her quarterly trades. The personal trading reviews ensure that employees are not front running by placing their trades ahead of our clients in order to get better prices or execution and that employees are not trading based on Insider Information. The firm feels the exemptions outlined for personal trading by employees do not affect the markets. Clients of the firm always receive preferential treatment and their financial interests always come first.

## Brokerage Practices

---

### Selecting Brokerage Firms

OPCM does not have any affiliation with product sales firms. OPCM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates. Our recommendations are also based on specific custodians/ broker-dealers data we are able to obtain electronic trading and transaction data. In using a particular custodian/broker-dealer, we believe the use of electronic trading allows for better execution of trades and receiving electronic transaction data allows for closer monitoring of the portfolio transactions on an ongoing basis. In light of the total services the client receives, we believe the particular custodian/broker-dealer's services, directly or indirectly, benefits our clients. The firm acknowledges that in recommending a specific custodian/broker-dealer to our clients, we also have a duty in executing client securities transactions to obtain the best net price reasonably available under the circumstances.

OPCM may recommend Schwab Institutional, a division of Charles Schwab & Co., Inc. to maintain custody of client assets and to execute trades for our client accounts. Schwab Institutional provides the firm with access to its institutional trading and operational services, which are not available to Schwab retail clients. These services are generally available to independent investment advisors at no charge as long as a total of \$10 million in assets is maintained. The institutional services include research, brokerage, custody, access to mutual funds and other investment not available to retail clients or that would require a significantly higher minimum investment. Schwab Institutional also makes other products and services available that benefits the firm but may not benefit our clients' individual accounts. Some of the other products and services assist the firm in managing and administering clients' accounts. These may include software or other technology that provide access to client data such as trade confirmations and account statements, facilitate trade execution, pricing information and other market data, facilitate payment of management fees from client accounts and assist with back-office support, record keeping and client reporting.

OPCM may also recommend TD Ameritrade to maintain custody of client assets and to execute trades for our client accounts. TD Ameritrade services include brokerage and custody. TD Ameritrade also makes other products and services available that benefits the firm but may not benefit our clients' individual accounts. Some of the other products and services assist the firm in managing and administering clients' accounts. These may include software or other technology that provide access to client data such as trade confirmations and account statements, facilitate trade execution, pricing information and other market data, facilitate payment of management fees from client accounts and assist with back-office support, record keeping and client reporting.

Although OPCM may specifically recommend certain brokerage firms to our clients, clients are not obligated to use the recommended firm or firms. Clients may direct OPCM to use another firm to custody their account assets. In most instances, the firm will still be able to receive electronic trading and transaction data via Advent Custodial Data “ACD” from the custodian/brokerage firm selected by client. OPCM feels it is extremely important to receive electronic trading and transaction data from a client’s custodian as it helps to facilitate the administration of the account as well as allows OPCM to closely monitor the portfolio transactions within the account on a continual basis.

OPCM retains Merlin Securities to serve as the prime broker and J.P. Morgan to serve as the custodian of OPCM’s investment limited partnership (the “Partnership”). The firm may replace Merlin Securities as prime broker and J.P. Morgan as custodian or appoint an additional prime broker and custodian at any time. The services that Merlin Securities provides as prime broker and that J.P. Morgan provides as custodian may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage agreement entered into between the Partnership and Merlin Securities and the Partnership and J.P. Morgan. Merlin Securities’ address is 712 5<sup>th</sup> Avenue, New York, NY 10019. J.P. Morgan’s address is One Metrotech Center North, Brooklyn, NY 11201. Merlin Securities as prime broker and J.P. Morgan as custodian have custody of a portion of the Partnership’s assets. Merlin Securities as prime broker and J.P. Morgan as custodian also provide the firm with other services, which may include: technology services, capital introduction services, portfolio reporting and access to electronic communications networks. OPCM expects to use a substantial portion of these services for research and trading on behalf of the Partnership and OPCM’s other accounts, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if OPCM did not receive these services from the Partnership’s prime broker, OPCM would be required to pay for all or some portion of them. OPCM is not required to direct a particular number of trades to Merlin Securities or J.P. Morgan or to continue to use the firm as the Partnership’s prime broker or custodian, but it has an incentive to do so based on the prior and continued services provided by the firm.

The Partnership’s obligations to J.P. Morgan and any other custodian are secured by way of a first priority perfected security interest over all of the Partnership’s assets held in custody by that custodian. A custodian may transfer to itself all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for its own purposes.

---

#### Best Execution

OPCM conducts periodic best execution meetings during the year. The purpose of the meetings is to review the various factors that are relevant to best execution such as efficiency of execution, timing of transactions, price, commission rate, soft dollar arrangements, financial responsibility of the broker-dealer as well as the broker-dealer’s responsiveness to OPCM. Best Execution meetings are conducted with our CCO, Trader and a Senior Portfolio Manager. We document the reviews in our Best Execution Meeting Minutes.



Factors that we consider in the execution of trades may be special execution capabilities, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future and order of call. In evaluating brokerage firms to execute our client trades, we will consider the following factors: on-line access to computerized data for our clients' accounts, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, the availability of stocks to borrow for short trades, custody, recordkeeping and similar services, involved in the receipt of brokerage services.

---

#### Soft Dollars

OPCM has two relationships with brokerage firms that provide soft dollars services to the firm. The soft dollars the firm receives are either in the form of a credit provided by the brokerage firm or a ratio based on a split in the commissions from the client trades executed. The main difference we mention above regarding a credit versus a split is, a credit is a flat dollar amount provided to the firm regardless of the number of trades executed in any give year, whereas a commission split agreement allocates a portion of each commission paid by the client and a portion of the commission is received as a credit for the firm to use for research services. With a commission split, the soft dollar credit the firm receives fluctuates based on the number of trades placed with the given brokerage firm. The relationships are detailed as follows:

**Charles Schwab:** Charles Schwab provides the firm a soft dollar CREDIT that is used to help pay for a portion of the expenses we incur from our Baseline Research Terminals. The firm uses the Baseline Research Terminals to gather a portion of the information that our investment team and our portfolio managers use in the analysis of the securities that we may buy or sell for our clients' accounts. All clients benefit from the credit Charles Schwab provides to the firm and the use of the credit is not limited to the client accounts solely custodied with Charles Schwab.

**BNY ConvergeX Group:** BNY ConvergeX Group provides the firm a COMMISSION SPLIT that is used to help pay for the cost of Reuters and may also be used to cover a portion of the costs for the Baseline Research Terminals, if the firm accumulates an excess credit above the cost of Reuters. Reuters provides Broker Research Reports via a website portal. We use the reports as part of our research process that our investment team and our portfolio manager's use in determining which securities will be purchased or sold in our client accounts. All clients benefit from the commission split provided by BNY ConvergeX Group, however not all clients will participate in the generation of the soft dollar credit for the firm based on their custodial relationship.

The receipt of soft dollars can create a conflict of interest. By receiving soft dollars from a brokerage firm, it can influence our judgment in allocating brokerage business between firms that provide soft dollar services and firms that do not. This conflict of interest is particularly influential to the extent that OPCM uses soft dollars to pay expenses it would otherwise be required to pay in full. To mitigate the conflict of interest, the firm pays "hard dollars" for a portion of the research the firm uses for our investment process. In addition, if the firm's soft dollars credits are not sufficient to cover the cost of our soft dollar research products, the firm will pay a portion of the total cost using "hard dollars". Hard dollars are funds paid from the firm's revenue, rather than funds paid from the credits provided by the brokerage firms used to execute client trades.

For clients that use Charles Schwab, TD Ameritrade or Fidelity to custody their account assets, the firm will request clients complete Prime Brokerage Paperwork that gives the firm the option and authorizes the firm to “trade away” or execute trades with brokerage firms other than the client’s custodian. The firm will trade away from the above mentioned brokerage firms to allow our clients to participate in block trades, to execute trades of securities that may be thinly traded, to get a better execution price, to purchase a bond that the brokerage firm may not hold in their inventory, or to use a firm that provides soft dollars to OPCM.

The conflict of interest arises when OPCM trades away from the brokerage firm that has custody of the assets because an additional fee will be charged to the client’s account. Charles Schwab charges a fee of \$17, TD Ameritrade charges a fee of \$25 and Fidelity charges a fee of \$20 to settle the a trade. If the trades are placed with the brokerage firm that has custody of the client’s account, the client would otherwise not be charged the additional fee. When OPCM block trades and trades away, we feel we mitigate this conflict of interest because the block trades will include not only the clients from the brokerage firms specifically mentioned above but will include clients that use other custodians as well. In addition, in trading away OPCM will generally execute trades with a brokerage firm that we receive soft dollars. The soft dollars benefit all clients, as we use the credit for research purposes by our investment team and our portfolio managers. Clients that custody assets with firms other than Charles Schwab, TD Ameritrade and Fidelity will generally have their trades executed through a brokerage firm that also provides soft dollars so overall, nearly all clients will participate either directly or indirectly in generating soft dollars for the firm to use for research purposes. Overall, we feel the benefits outweigh the additional trading costs the client may incur.

OPCM does have Directed Brokerage Accounts and other accounts that for specific reasons do not participate in the generation of soft dollars but do benefit from the soft dollars generated.

OPCM will generally have complete discretion over the selection of the broker to be used and may be able to negotiate the commission rates to be paid with respect to a select group of clients. Other clients have directed the firm to use a specific broker or specific brokers. When the firm selects the broker-dealer being utilized to execute the trades, we will consider the overall execution of the transaction and services provided by the broker-dealer in conjunction with the commissions paid. We do however anticipate that some clients will direct the firm to buy and sell securities through or to a specific broker-dealer. Because the firm recognizes that those clients have a variety of reasons for directing the use of a specific broker-dealer, the firm will not actively negotiate commission rates with those directed broker-dealers or monitor or evaluate them on a regular basis with regards to the rates being paid by such clients, or the nature, quality or value of any service or benefits the client receives from such broker-dealers. Since the firm cannot trade with other brokers, OPCM will not be able to obtain volume discounts for these clients and thereby take advantage of batching multiple trades, which generally results in lower commissions being paid by client.

In all cases, when OPCM uses any brokerage firm that provides soft dollar credits, we do evaluate the commissions paid by clients to ensure it is reasonable in relation to the value of the brokerage and soft dollar credit provided. In determining if the commission paid by our clients is reasonable, we will look at the following factors: execution capability, commission

rates, value of research provided, the brokers' responsiveness and their financial responsibility. When we can determine that more than one broker can provide the services necessary to obtain the most favorable price and the best execution, we will give consideration to those brokers which provide "soft dollar" investment research services and statistical information in addition to execution services.

In addition to the specific soft dollar research services detailed above, other types of research services that we may obtain in the future from broker-dealers may include economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, general reports, consultations, performance measuring data, and on-line pricing services. In these instances, soft dollar research services may be used in providing advice to some or all of our accounts, and not all such services may be used by the firm with respect to the accounts that paid the commissions to the brokers providing the services.

Annually, our soft dollar committee reviews and generates a projection of the commission dollars to be generated in the course of the fiscal year. We analyze the quality of research services and information we receive from our various broker-dealers in order to establish our soft dollar budget. We do not require an absolute dollar amount to be met nor will we execute trade orders with a broker-dealer who is not able to meet our best execution requirements.

Some clients may direct OPCM to use a broker that does not provide soft dollar benefits to our firm. Nevertheless, the research and other benefits resulting from the brokerage relationship would benefit all accounts managed by the firm or the firm's operations as a whole.

---

#### Trade Error Correction

In the event a trade error is made by OPCM when trading in a client's account, the firm believes in the principal to make the client whole. Reimbursement from losses due to OPCM's error will be provided to the client from OPCM, while any gains received from a trade error by OPCM will be credited to the client's account. Soft dollars will never be used to cover trade errors, as an error correction is not a brokerage or research service. If a broker agrees to break an error trade, the client account(s) may not compensate that broker for breaking the trade (either by paying hard dollars or allocating soft dollar transactions to that broker). In particular, if a broker offers to bear all or part of the loss involved in error correction and if OPCM chooses to accept such an offer, OPCM will make it clear that the acceptance of the broker's assistance does not involve any express or implied commitment to direct brokerage, or any other benefit, to that broker.

---

#### Directed Brokerage Accounts

OPCM anticipates that some clients will direct the firm to buy and sell securities through or to a specific broker-dealer. Because the firm recognizes that some clients may have a variety of reasons for directing the use of a specific broker-dealer, the firm will not actively negotiate commission rates with directed broker-dealers or monitor or evaluate them on a regular basis the rates being paid by such clients, or the nature, quality or value of any service or benefits the client receives from such broker-dealers. Since the firm cannot trade

with other brokers, we are not able to obtain volume discounts for our Directed Brokerage clients and they are not able to take advantage of batching multiple trades which will generally result in our clients paying lower commissions. Directed brokerage clients may pay higher commissions. When we aggregate or bunch our trades, we will allocate fairly among our clients so that over time, we treat all clients fairly and consistently.

---

## Order Aggregation

OPCM may aggregate securities when we execute a trade order for a client with similar orders being made contemporaneously for other accounts managed by the firm. In such an event that we aggregate trades, we will use the average price of all securities received from the executed trades and the individual client accounts are charged or credited, as the case may be, the average transaction price. In aggregating trades, there may be times when the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts.

When the firm trades in any given security, not all clients will participate in the execution of a bunched trade or receive a pro-rata allocation if they have different investment objectives, risk characteristics and restrictions, varying cash flow, portfolio composition and tax considerations at the time the trades are executed. In addition, not all securities considered for purchase and sale by the firm will be considered for all clients and investment products. A client's investment objective or the firm product objective may not be appropriate for all clients or products.

In the case of mutual funds or exchange-traded funds, trade aggregation does not garner a significant client benefit.

When we bunch trades, we will allocate fairly among our clients so that over time, all clients are treated fairly and consistently accordingly with their investment objectives.

---

## Review of Accounts

### Periodic Reviews

OPCM has 7 Portfolio Managers "PM's" and 3 Portfolio Counselors "PC's" who conduct client meetings and review accounts. Portfolio managers are primarily responsible for the investment decisions in client accounts. Portfolio Counselors are primarily responsible for maintaining the client relationship and discussing the investment decisions with their assigned clients.

PC's and PM's may meet with clients on an annual, semi-annual or quarterly basis, or as requested by the client, either in person or via a conference calls. During an account review with a client, the PC's or PM's will provide clients with an account appraisal which facilitates a discussion regarding changes in the portfolio, economic and market conditions as well as any other items that need to be reviewed with the client.

Each PC and PM is responsible for a varying number of clients (less than 100). Each portfolio manager reviews client accounts at a minimum, monthly, however most accounts are reviewed on a more frequent basis.

---

## Review Triggers

Tax laws, new investment information, and changes in a client's own personal or financial situation may trigger an account review.

---

## Regular Reports

At a minimum, clients receive our written quarterly appraisal report which we provide in hard copy mailed to our client's address of record or in an electronic format, which is uploaded under the client's ID to our secure client portal at [www.osbornepartners.com](http://www.osbornepartners.com). For our electronic clients, we will notify them with an e-mail when we post their reports for their review. The quarterly reports generally will include a portfolio appraisal statement detailing the number of shares held of each security, the cost basis information and the market value as of the quarter end date. The quarterly reports may also contain a purchase and sale report, a realized gain and loss report, an income summary, a performance report, an economic memo and a commentary from the portfolio manager. OPCM generates client reports using Advent's Portfolio Management System, APX.

Clients also have the option of viewing their account reports daily via OPCM's website or via the custodian's website.

The custodian of record will also provide statements to the client, at a minimum quarterly. Generally clients will all receive monthly statements unless an account does not have security transactions to report on a monthly basis.

---

## Client Referrals and Other Compensation

### Incoming Referrals

OPCM may receive client referrals from current clients, estate planning attorneys, accountants, employees, personal friends of employees, Schwab's Advisor Network, SIG FIG and third party solicitors.

OPCM does provide compensation to third party solicitors. OPCM will pay third party solicitors a referral fee of fifteen to twenty percent of the advisory fees that OPCM receives pursuant to the client's written advisory agreement. The third party solicitors are independent contractors of OPCM and do not perform investment advisory services on behalf of the firm. The compensation provided does not relate directly to any investment advisory services rendered. Payment of such compensation by a potential client will not differ from those clients that were not solicited. OPCM does and may charge different fees to different clients but the firm **does not** charge a client that was referred to the firm a higher advisory fee than another client who was not referred to the firm through a third party solicitor.

OPCM receives client referrals through Charles Schwab's Advisor Network Program "SAN". The SAN Program is designed to help investors find an independent investment advisor. Charles Schwab is a broker-dealer independent of and unaffiliated with OPCM. Schwab does not supervise OPCM and has no responsibility for OPCM's management of clients' portfolios or other advice or services.

OPCM will compensate Charles Schwab for clients referred through the SAN Program. OPCM pays Schwab in two manners. Schwab will deduct a percentage of our fees charged to our client accounts or they will charge the firm a percentage fee based the daily household balance of the client relationship. The fee Schwab charges the firm is dependent upon when the client was referred to the firm through the SAN Program. OPCM will also pay a Non-Schwab Custody fee on all accounts that are maintained at, or transferred to another custodian that were originally referred to OPCM through the SAN Program. This may raise potential conflicts of interest as OPCM may be likely to execute transactions for our advisory clients referred through the program with Schwab, although it is not required by the program.

OPCM pays Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. Charles Schwab bills the participation fee quarterly and may increase, decrease or they may waive the fee from time to time. OPCM, not the client, pays the participation fee. OPCM agrees not to charge clients referred through the service fees or costs greater than the fees or costs we charge clients with similar portfolios who were not referred to us through the service.

OPCM generally pays Schwab a Non-Schwab custody fee if custody of a referred clients' account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab custody fee is a one-time payment equal to a percentage of assets placed with a custodian other than Schwab. The Non-Schwab fee is higher than the participation fees OPCM generally would pay in a single year. Thus, OPCM will have an incentive to recommend client accounts be held in custody at Schwab.

The participation fee and Non-Schwab custody fees will be based on assets in accounts of OPCM's clients referred by Schwab and those referred clients' family members living in the same household. Thus, OPCM will have incentives to encourage household members of clients referred through the service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit OPCM's fees directly from the accounts.

For clients accounts maintained at Charles Schwab, Charles Schwab will not charge the client separately for custody but will receive compensation from OPCM's clients in the form of commissions or other transaction related compensation on securities trades executed through Schwab. Schwab will also receive a fee (generally lower than the applicable commission on trades it executes) for trades executed at other broker-dealers other than Schwab. Schwab's fees for trades executed through other broker-dealers are in addition to the other broker-dealer's fees. Thus, OPCM may have an incentive to cause trades to be executed at Schwab rather than another broker-dealer. OPCM nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody with Schwab may be executed through a different broker-dealer than trades for OPCM's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

OPCM also participates with SIGFIG Wealth Management LLC. ("SIG FIG") in their client referral program. SIG FIG has agreed to introduce eligible investors to OPCM with whom SIG FIG has vetted and evaluated. SIG FIG is not affiliated in any way with OPCM or any of

its affiliates, other than SIG FIG is an independent contractor who introduces prospective advisory clients to OPCM. For each referred client, OPCM will pay SIG FIG a fee of 20% of any advisory or management fee received by OPCM from the client for the life of OPCM's relationship with the client. This fee is paid by OPCM. SIG FIG clients are not responsible for paying any fee to SIG FIG. SIG FIG clients will not pay higher advisory fees than would any other client due to the fact they were referred to OPCM via SIG FIG.

---

#### Referrals Out

OPCM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

---

#### Other Compensation

Osborne Partners does provide compensation to third party solicitors. OPCM will pay third party solicitors a referral fee of fifteen to twenty percent of the advisory fees that OPCM receives pursuant to the client's written advisory agreement. The third party solicitors are independent contractors of OPCM and perform no financial planning or investment advisory services on behalf of the firm. The compensation provided does not relate directly to any investment advisory services rendered. Payment of such compensation by a potential client will not differ from those clients that were not solicited. OPCM does and may charge different fees to other accounts under firm's management.

---

#### Custody

##### Account Statements

Qualified custodians hold all client assets. The qualified custodians provide account statements independent of OPCM and they provide them directly to the client at their address of record. Custodians' issue statements at least quarterly, with most custodians providing monthly statements. Clients will only receive statements on a quarterly basis if the account does not have security transaction activity.

OPCM is required to maintain client funds and securities with a broker-dealer, bank, or other "qualified custodian." OPCM is deemed to have custody of client assets; however, OPCM will not be required to indicate custody based solely on the deduction of advisory fees. OPCM is the general partner of an investment limited liability corporation and in this instance; OPCM has custody of the fund assets. We have policies and procedures in place to address the risks and to ensure the safeguarding of clients assets.

---

#### Performance Reports

We urge clients to compare the account statements received directly from their qualified custodians to the report statements provided by our firm.

---

#### Investment Discretion

##### Discretionary Authority for Trading

OPCM accepts discretionary authority to manage securities accounts on behalf of clients. OPCM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, in the event OPCM executes a contract with a client on a Non-Discretionary basis, OPCM consults with the client prior to each trade to obtain trading approval.

Generally, we will buy and sell securities for clients' accounts on a fully discretionary basis. OPCM will have complete discretion over the selection of the broker to be used and the commission rates to be paid with respect to our discretionary clients. Other clients have directed OPCM to use a specific broker or specific brokers. For the most part, we will buy and sell securities through broker-dealers selected by OPCM. When OPCM selects the broker-dealer being utilized to execute the trades, OPCM will consider the overall execution of the transaction and services provided by the broker-dealer in conjunction with the commissions paid.

---

#### Limited Power of Attorney

A limited power of attorney is required by custodians to allow trading authorization for our client accounts and to allow us to complete specific transactions in client accounts. Each custodian has their own limited power of attorney form that they require clients to sign so that we may execute the trades and transactions on behalf of our clients.

---

#### Voting Client Securities

##### Proxy Votes

OPCM will not be obligated to vote, may refrain from voting and will not be required to direct the client's agent to vote proxies on behalf of our clients or clients of manager selected programs, unless otherwise agreed to in writing. The only accounts OPCM will be required to vote proxies for will be for those accounts that the Department of Labor has defined as ERISA accounts. OPCM uses Broadridge to vote our required proxies for ERISA clients. Broadridge manages the process of meeting notifications, voting, tracking, mailing, reporting, record maintenance and the vote disclosure rules enacted by the SEC.

It is OPCM's policy to instruct Broadridge to vote proxies with the company's management and their recommendations, unless we direct them otherwise. The quality and confidence the firm has in a management team is a major criterion used in the decision making process when purchasing stocks. OPCM feels management is best suited to make decisions on the pertinent issues of their company. OPCM also believes that the companies' manager's interests are aligned with the firm, representing a desire to grow shareholder value in a prudent fashion.

OPCM has a designated proxy administrator who is responsible for overseeing the proxy voting process. Broadridge has been instructed to vote proxies in accordance with OPCM's pre-determined proxy policy for ERISA accounts. In the event a non-standard voting issue is solicited, analysis by senior management will be done to ensure the proper vote is cast to benefit our clients' best economic interest. Broadridge maintains electronic copies of annual reports for viewing. On a quarterly basis, OPCM's proxy administrator will access our proxy voting record and forward the report to the CCO or a Senior Managing Director for review.



OPCM's written agreement states our position to vote proxies. ERISA clients may contact our CCO to obtain information on the proxies voted on their behalf as well as to request a copy of OPCM's policies and procedures for proxy voting.

#### Financial Information

---

##### Financial Condition

OPCM does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because OPCM does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

#### Class Action Lawsuits

---

##### Claim Filing

OPCM engages Chicago Clearing Corporation (CCC) to provide class action litigation monitoring and securities claim filing services on behalf of our clients. Clients will be responsible for filing their own class action claims for any securities that were held prior to the commencement of the relationship with the firm. Unless you affirmatively "Opt-Out" from the service, we will provide our client data to CCC on an annual basis for class action filing services. CCC is SAS 70 Certified.

CCC's sole business is securing class action claims. CCC monitors each claim our clients have, collects the applicable documentation, interprets the terms of each settlement, files the appropriate claim form, interacts with the administrators and distributes the client awards on the client's behalf. CCC charges a contingency fee of 20%, which is subtracted from the client award when the award is paid.

#### Business Continuity Plan

---

##### General

OPCM has a Business Continuity Plan in place that provides steps to mitigate and recover from the loss of office space, communications, services or key people. OPCM understands our clients rely on our systems and services for the management of their portfolios.

#### Disasters

---

The Business Continuity Plan covers natural disasters and man-made disasters such as loss of electrical power, fire, bomb threats, T-1 communications line outage, and Internet outage. We back up electronic files daily and archive offsite.

OPCM will notify our client in the event of an emergency as follows:

- We will record a message on our main telephone lines for our San Francisco and Menlo Park Offices.
- We will post a message on OPCM's Website.
- We will send clients who have elected electronic communications, an E-mail message to

their e-mail address on file.

In the event of an emergency OPCM employees have remote access to e-mails and have remote access to OPCM's communication system to stay in contact with our clients until our files are restored.

---

#### Alternate Offices

We have identified an alternate office to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

OPCM's Disaster/Contingency Remote Location Site:

535 Middlefield Road, Suite 160  
Menlo Park, CA 94025  
Phone: (650) 854-5000  
Fax: (650) 854-5661

---

#### Loss of Key Personnel

OPCM assigns a back-up portfolio manager to each account in the event one of our portfolio managers is unable to fulfill their investment functions due to disability or death. In addition, the firm has an investment committee that would continue to oversee the primary investment strategies of the firm, which limits the risk any one individual has in making investment decisions. In the event of a major disaster in either office that would prevent any one or all of our employees, key employees or principals from performing their assigned duties, the firm has cross trained our operations staff, client service staff and portfolio management staff. Employees in other offices would be able to cover the responsibilities of the key employee until the firm is able to hire a replacement for the position.

---

#### Information Security Program

---

##### Information Security

OPCM maintains an information security program to reduce the risk that your personal and confidential information may be breached.

---

#### Privacy Policy

For the information you entrust to us, we are committed to maintaining the confidentiality, integrity and security of your personal information. Our policy is not disclose any non-public personal information about you to anyone while you are an active or inactive client, except as permitted or required by law, or as required to maintain and manage the account in accordance with the investment management objectives and guidelines agreed upon. With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount

of information about you with your brokerage firm/custodian in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment. We have access controls in place on client information systems, including controls to authenticate and permit access only to authorized individuals. The firm also has access restrictions at physical locations containing client information, such as buildings, computer facilities and records storage facilities to permit access only to authorized individuals. In addition, dual control procedures and segregation of duties are in place for individuals who maintain client portfolios and manage the pooled fund. The firm also monitors systems with client information.

We do not provide your personal information to mailing list vendors or solicitors. Federal and state securities regulators may review our Company records and your personal records as permitted by law. Personally identifiable information about you will be maintained while you are a client, and as required thereafter for our records that we are required to maintain by federal and state securities laws. We will notify you in advance if our privacy policy is expected to change.

The types of information we receive and collect from clients are from the following sources:

- Investment advisory contracts, account questionnaires, custodial account applications and related forms.
- Information we receive from you during meetings, telephone conversations, or electronically via e-mail
- Information about your securities transactions with Osborne Partners Capital Management, LLC or other advisory firms including broker/dealers/financial service firms that may be providing services to you or for your account.
- Information we receive on your behalf from other third-party service providers.

We disclose your non-public personal information to only the following persons:

- The companies you authorize us to use in order to manage your account, for example, the custodian of your account.
- The companies we use in conjunction with managing your account, for example, broker-dealers.
- When authorized by you, other investment advisors, accountants or estate attorneys that also provide advice to you in connection with your investments

We are required by law to deliver our *Privacy Notice* to you annually, in writing, either electronically or in physical copy. A full copy of OPCM's privacy policies and procedures is available at any time upon request by contacting our CCO.