

# Form ADV: Part 2A

## Firm Brochure

### Presidio Capital Advisors LLC

101 California Street, Suite 1200  
San Francisco, CA 94111

888-221-8414

[www.thepresidiogroupllc.com](http://www.thepresidiogroupllc.com)

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Endowments, Foundations and Family Offices Brochure

*This brochure provides information about the qualifications and business practices of Presidio Capital Advisors LLC endowments, foundations and family office services. .. If you have any questions about the contents of this brochure, please contact us at 415-449-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.*

*Additional information about Capital Advisors is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Presidio Capital Advisors LLC is a registered investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.*

*The term "registered investment adviser" and description of Presidio Capital Advisors LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.*

**Item 2: Material Changes**

This item does not apply at this time since this is the first edition of Presidio Capital Advisor's brochure for Endowments, Foundations and Family Offices.

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

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#### **Item 4: Advisory Business**

Presidio Capital Advisors LLC, a wholly owned subsidiary of Presidio Financial Partners LLC, also known as The Presidio Group, ("Presidio") was founded in 1997, and registered with the SEC as a Registered Investment Adviser ("RIA") on March 19, 1998.

This brochure is dedicated to the investment consulting services Presidio offers to select endowments, foundations and family offices (each, a "Client" and collectively, the "Clients") on a discretionary or non-discretionary basis. The firm also offers portfolio performance reporting services. For simplicity the services offered through Presidio Capital Advisors LLC is to be known throughout this brochure as Endowment and Financial Services or "EFS".

EFS' investment advisory services are tailored to its clients based on consultations conducted by Peter Stein and the investment management team. EFS works closely with each Client to understand their assets, liabilities, long-and short- term investment objectives, cash flow needs, and philanthropic objectives and develops a customized investment plan.

Services include assisting clients in managing portfolio asset allocation with respect to investments in separate accounts, exchange traded funds, mutual funds, and private funds, including private equity funds and hedge funds; some of which are managed by professional portfolio managers ("Money Managers"). The Firm also offers portfolio performance reporting services. Typically, an individualized written Investment Policy Statement ("IPS") is created for a client. The IPS memorializes the client's investment objectives, risk tolerance and investment implementation plan, including portfolio allocation and Money Manager selections, as well as any investment constraints.

For additional information regarding the Firm's methods of analysis for making Money Manager and investment recommendations, please refer to the *Method of Analysis, Investment Strategies and Risk of Loss* section of this brochure. Where EFS has discretionary authority to make investment decisions for a client account, it may select Money Managers or make investment decisions on behalf of a client as described in the *Method of Analysis, Investment Strategies and Risk of Loss* section and *Investment Discretion* section of this brochure.

EFS also provides investment consulting services to individual clients. These services are fully explained in Presidio Capital Advisor's Individuals and Families ADV Part 2A Brochure.

As of December 31, 2011, Presidio managed \$3.7 billion in assets on a non-discretionary basis and approximately \$4 million in assets on a discretionary basis.

#### **Item 5: Fees and Compensation**

##### ***Endowment Financial Services Compensation***

Clients of EFS will be subject to various types of fees charged by the Firm, its affiliates, and third parties. These fees, which are described in detail below, do not offset one another. The fees that EFS' Clients pay are the Firm's only form of revenue. EFS is transparent in its pricing. Clients may terminate upon providing 30 days prior written notice to the firm. Any prepaid or unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, the Firm will prorate the reimbursement according to the number of days remaining in the billing period.

##### **EFS' Management Fees**

Management fees generally start at 0.75% of the client's net assets under management. The fees are subject to a breakpoint schedule that is negotiated individually with each Client. Fees are earned in full on the first day of each quarter and are based on the estimated market value of the client's account at the end of the prior quarter. Fees are typically debited automatically from the client's custodial account as determined by client. There is no minimum fee assessed.

Fees may also vary depending upon the complexity of the client's investment objectives, implementation plan and the services to be provided, and may include performance-based components.

#### Other Fees and Expenses

In addition to the fees noted above, Clients will be subject to a variety of fees and expenses from entities that are not affiliated with EFS. These fees and expenses include, among other things, custody fees, brokerage and other trading costs, and management fees charged by underlying managers of the EFS Portfolios, managing mutual funds, private funds, money market funds, and/or exchange traded funds held in client accounts. Management fees may be charged in advance or in arrears and is dependent on the individual compensation mandate specified in each manager's ADV, Brochure, or offering document. EFS does not receive any share in any additional compensation as a result of these fees and is not responsible for collection, reimbursement, or potential discrepancies in these outside fees.

EFS and its employees do not receive commissions for selling securities or other investment products.

#### ***Mutual Fund and ETF Fees***

All fees paid to EFS are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the Firm's services. In that case, the client would not receive the services provided by the Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate for the client's financial objectives and circumstances. Accordingly, the client should review both the fees charged by the funds and EFS' fees to fully understand the total amount of fees to be paid by the client, and to evaluate the advisory services being provided.

#### ***Money Manager Fees***

Clients will also incur fees charged by Money Managers for client assets managed in separate accounts. These fees vary and are in addition to EFS' fees. These fees may be payable quarterly or monthly, in advance or arrears, and will automatically be debited from the client's broker-dealer or custodian account. Money Manager fees may be negotiated by EFS and may differ from the standard fees charged by a Money Manager to its other clients. A client may be eligible to directly open a separate account with a Money Manager, without EFS' services. In that case, the client would not receive the services provided by the Firm, which are designed, among other things, to assist the client in initially selecting and continuing to assess which Money Managers are the most appropriate for each client's financial objectives and circumstances. Accordingly, the client should review both the standard fees charged by the Money Manager as disclosed in their brochure and the Money Manager fees negotiated through the Firm to fully understand the total amount of fees to be paid by the client, and to evaluate the advisory services being provided.

#### ***Private Fund Fees***

Clients who invest in hedge funds, private equity funds and/or other private funds will incur fees that are separate and in addition to EFS' fees. Managers of these funds may charge carried interest (or a percentage of the fund's profit), management, transaction and/or other fees, and require capital commitments and contributions, which will be payable as described in the fund's subscription agreement, private placement memorandum and/or other offering documents. Clients should review these documents carefully to understand how these fees are calculated and required to be paid.

#### ***Custodian and Broker-Dealer Fees***

Clients are responsible for the fees and expenses charged by custodians and broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which the Firm or a Money Manager effects transactions for the client's account. Please refer to the *Brokerage Practices* section of this brochure for additional information regarding Capital Advisor's brokerage practices.

### ***Advisory Fees in General***

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for higher, similar or lower fees.

### **Item 6: Performance-Based Fees**

Performance Fee is separately negotiated with each Client, but generally equal to a percent of aggregate net profits (including unrealized gains but net of the Management Fee) if any, generated from the Client's assets in excess of a "hurdle return," subject to a loss carry-forward – such that no Performance Fee will be paid until net losses have been offset by subsequent net profits and the hurdle return for the year has been exceeded. The hurdle return rate is a specified non-cumulative, non-compounded annual rate of return.

### **Item 7: Types of Clients**

EFS clients are generally large institutional (or institutional-like) investors: foundations, endowments and family offices. Minimum investment is \$100 million and may be negotiated on a case by case basis. .

### **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

EFS' services generally entail making investment recommendations or decisions regarding portfolio asset allocation with respect to client investments in separate accounts, mutual funds, ETFs, separate accounts, private funds and other investments. The Firm primarily uses the following methods of analysis in formulating investment recommendations and making investment decisions for client portfolios:

#### ***Asset Allocation Analysis***

The Firm's asset allocation recommendations and decisions are based on asset-liability modeling, which takes into account a client's investment objectives, risk tolerance and investment constraints, including investment time horizon, certain tax considerations and liquidity, cash flow and estate planning needs.

#### ***Mutual Funds, ETF, Private Fund, and Separate Account Analysis***

In making mutual fund, ETF, private fund and/or separate account investment recommendations and decisions, the Firm takes into account, among other considerations, the client's financial circumstances and objectives, the fund's investment objective, principal investment strategies, principal investment risks, performance track record, experience and track record of the fund's portfolio manager(s), and the fund's fees and expenses.

In recommending or selecting a prospective Money Managers as well as performing ongoing due diligence of a retained Money Manager, EFS may, where applicable, assess and monitor the following with respect to the Money Manager:

#### Business Factors

- Business infrastructure
- Assets under management
- Product assets under management
- Growth of assets
- Client mix
- Growth/turnover of clients
- Adverse change in investment management fees

#### Personnel

- Number and type of people
- Key investment professionals
- Expertise and experience
- Capacity constraints and focus

### Investment Process

Sound and well articulated investment process  
Ability to find and source investment ideas  
Quantitative and/or qualitative investment research  
Disciplined buy and sell procedures  
Risk management  
Portfolio construction process  
Performance attribution analysis  
Comprehensive performance evaluation including risk-adjusted performance

### ***Investment Strategies***

In consultation with each client, the EFS team develops a customized investment strategy (or implementation plan) for the client, which incorporates the portfolio asset allocation, manager selections and investment guidelines. The investment strategy is included in the client's IPS, in addition to the specific benchmarks, peer groups, investment restrictions and expectations for each Money Manager.

### ***Risk of Loss***

Investing in securities and selecting Money Managers involves a risk of loss that clients should be prepared to bear. Clients may lose money as a result of selecting a Money Manager to manage assets and/or investing in a mutual fund, ETF, private fund or other security recommended by the Firm. Client portfolio performance could be negatively impacted by a number of different material risks including but not limited to:

**Active Trading Risk.** Frequent trading will result in higher-than-average portfolio turnover ratio and increased brokerage and transaction costs, and may generate higher short-term capital gains.

**Asset Allocation Risk.** Asset allocations change over time due to market fluctuations and, if not adjusted through portfolio rebalancing, may no longer be appropriate for the client's investment objectives. Asset allocation modeling may also result in structuring a portfolio that focuses investments in a small number of issuers, industries or geographic regions, which may cause the portfolio to be more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio.

**Credit Risk.** The risk that a portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations

**Interest Rate Risk.** The prices of, and the income generated by, most debt securities held by a fund may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the fund's portfolio generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities.

**Issuer Risk.** The value of a security may decline because of adverse events or circumstances that directly relate to financial conditions of the issuer or any entity providing it credit or liquidity support.

**Liquidity Risk.** A security may not be able to be sold at the time desired or without adversely affecting the price.

**Management Risk.** There is no guarantee of a portfolio's performance, that a portfolio will meet its objectives, or that selected Money Managers will meet their objectives. As a result, the market value of a client's portfolio may decline, and the client may suffer an investment loss. A Money Manager's past performance is not indicative of future results. Clients should refer to a Money Manager's brochure for additional information regarding the material risks attendant to a particular investment strategy employed

by a Money Manager.

**Market Risk.** The prices of, and the income generated by, the common stocks, bonds, and other securities held by a portfolio may decline in response to certain events taking place around the world, including those directly involving the issuers whose securities are owned by the portfolio; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate and commodity price fluctuations.

**Methods of Analysis Risk.** The Firm's analysis methods rely on the assumption that brochures, prospectuses, private placement memorandums and any other offering and/or disclosure documents pertinent to a Money Manager or investment are accurate. There is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information in these documents.

**Mutual Fund and ETF Risk.** A portfolio will be exposed indirectly to all of the risks of securities held by a mutual fund or ETF. Clients should refer to the prospectus of the mutual fund or ETF for additional information regarding the principal investment risks of investing in a particular mutual fund or ETF.

**Private Fund Risk.** Investments in hedge funds, private equity funds and other private funds may involve a high degree of risk and often entail leverage and other speculative investment practices that may increase the risk of investment loss. Private fund investments (i) may be highly illiquid; (ii) may be difficult to value; (iii) may involve complex tax structures that could result in delays in distributing tax information; (iv) may not be subject to the same regulatory requirements as public securities; (v) may charge fees which could offset any profits; and (vi) the underlying investments may be known only to the investment manager. Clients should consider their risk tolerance and whether private fund investments are appropriate in light of their investment experience, objectives, and financial resources.

**Regulatory Risk.** Changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

#### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of EFS' business or the integrity of EFS' management.

#### **Item 10: Other Financial Industry Activities and Affiliations**

EFS is affiliated with Presidio Merchant Partners LLC ("PMP"), a wholly owned subsidiary of Presidio. PMP is a limited purpose broker-dealer that engages in investment banking activities, which are not material to Capital Advisor's advisory business. Advisers with Capital Advisers may also be dually registered as registered representatives with PMP. These registered representatives are not involved in the day to day banking activities of PMP and do not receive any compensation by PMP, but are registered with PMP to allow cohesiveness between the two entities and to expand relationship building from the beginning of the PMP engagement. Some registered representatives may periodically be introduced to PMP clients or prospects for the sole purpose of wealth management and estate planning where these registered representatives may gain access to information that is not publicly available which may ultimately create a potential conflict of interest with its advisory clients. Affiliates work independently and there is no obligation on either party to partner or associate with affiliated parties as a condition to receiving investment services.

EFS is also affiliated with Presidio Investors LLC ("PI"), a wholly owned subsidiary of Presidio. PI is a member of Presidio Investors Fund I GP LLC ("GP"), which is the manager of Presidio Investors Fund I LP ("Fund I"), a private equity fund. PI provides certain administrative services and facilities to the GP and to Fund I. Fund I was closed to new investors in April 2008. Prior to Fund I's closing, some EFS clients



purchased limited partnership interests in Fund I. EFS has not received any compensation in connection with these investments, however, in the event that Fund I generates profits, PI may receive incentive compensation in the form of carried interest in connection with its membership in the GP. In the future, EFS may recommend clients invest in other funds sponsored by its affiliates to the extent EFS finds that the investments in such funds are suitable for its clients. In connection with recommending that a client invest in an affiliated fund, EFS will disclose any economic benefit received by the Firm and/or its affiliates to the client and provide the client with the fund's private placement memorandum and any additional offering documents. Where EFS has investment discretion, it will not invest a client's assets in an affiliated fund unless it determines that the investment is suitable for the client, provides the client with the aforementioned disclosure and documents, and obtains written consent from the client to invest in the affiliated fund.

#### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

EFS and its officers, employees or affiliates may personally invest in the same securities that are recommended to, or purchased for, clients, including limited partnership or membership interests of private funds affiliated with EFS as described above in the *Other Financial Industry Activities and Affiliations* section of this brochure. If a security is purchased or sold for a client and EFS and its officers, employees or affiliates on the same day, the client and EFS or its officers, employees or affiliates will pay or receive the same price, or the client will receive the better price. EFS and/or its officers, employees or affiliates may also buy or sell for their own account a specific security, which the Firm determines is not an appropriate investment for clients based on clients' investment objectives, risk tolerance and/or client investment restrictions.

##### ***EFS Code of Ethics***

The Firm has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"). The EFS Code of Ethics is the same as the Capital Advisor's Code of Ethics.

The Firm's Code of Ethics requires, among other things, that its principals and employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Firm above one's own personal interests;
- Adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her position;
- Avoid and/or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analyses, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the employee and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his or her professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

The Firm's Code of Ethics also requires principals and employees to: (1) pre-clear certain personal securities transactions; (2) report personal securities transactions on at least a quarterly basis; and (3) provide the Firm with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics.

A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

EFS may recommend or select the broker-dealer to be used for client transactions subject to client directions. When recommending or selecting a broker-dealer, EFS considers the quality of service of the broker-dealer, including but not limited to, the promptness of execution of securities business, competitive commissions, securing the best price for a transaction under the circumstances, the ability to provide accurate settlement, and the financial stability of the broker-dealer.

EFS may also recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") or Fidelity Institutional Wealth Services ("Fidelity"), each a FINRA registered broker-dealer and member of SIPC, to maintain custody of clients' assets and to execute trades for their accounts. EFS is independently owned and operated and not affiliated with either Schwab or Fidelity. EFS does not require that clients custody their assets at Schwab or Fidelity. A client may use other or additional custodians as determined by the client.

Schwab and Fidelity provide EFS with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers with a total of at least \$10 million of the adviser's clients' assets maintained in accounts at Schwab or Fidelity. These services are not contingent on EFS committing to Schwab or Fidelity any specific amount of business (e.g. trading commissions). Schwab and Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For EFS client accounts maintained in their custody, Schwab and Fidelity are compensated by account holders through commissions and other transaction-related or asset-based fees charged as a percentage of the market value of assets under custody. Schwab and Fidelity also make available other products and services that benefit EFS but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or a substantial number of EFS accounts, including accounts not maintained at Schwab or Fidelity. Schwab and Fidelity's products and services that assist EFS in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Capital Advisor's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab and Fidelity may pay third-party vendors for the types of services rendered to EFS. Schwab and Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to EFS. Schwab and Fidelity may also provide other benefits such as educational events or occasional business entertainment of EFS employees.

EFS may also recommend or select a broker-dealer and/or custodian other than Schwab or Fidelity when it determines that utilization of another broker-dealer or custodian would be in the best interest of the client. The Firm may also recommend that a client use a custodian other than Schwab or Fidelity if it determines that the utilization of another custodian may also provide similar benefits to the Firm.

EFS would consider a request for directed brokerage, however, may not be able to provide the most favorable execution.

EFS may engage in block transactions. EFS seeks to allocate investment and trading opportunities in a manner that is consistent with its duty to: (i) seek best execution; (ii) treat all Accounts fairly and equitably over time; and (iii) not systematically advantage or disadvantage any single Client or group of Clients. When a decision is made to enter into a Block Transaction, the results of the transactions will be allocated to all participating Accounts in a fair and equitable manner

EFS' receipt of benefits from client brokerage commissions may create a conflict of interest when the Firm recommends or selects certain broker-dealers and/or custodians, including Schwab and Fidelity. When the Firm uses its clients' brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because it does not have to produce or pay for the research, products or services. Accordingly, the Firm may have an incentive to recommend or select a broker-dealer based on its interest in receiving the research or other services, rather than on its clients' interest in receiving most favorable execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

The Firm may also take into account client referrals it receives from broker-dealers. Accordingly, the Firm may have an incentive to recommend or select a broker-dealer based on its interest in receiving client referrals. The Firm's policy, however, is to take into account the client's best interest in recommending and selecting broker-dealers to execute client transactions.

As of this time, EFS neither receives research or referrals from the broker-dealers it works with.

#### **Order Aggregation and Allocation**

EFS may at times determine that certain securities are suitable for clients and other EFS-managed accounts, possibly including Firm accounts or accounts of an affiliate. If that occurs, and EFS is not able to acquire the desired amount of such securities on its' terms and conditions, EFS will allocate the limited amount of such securities among the various accounts in a manner the Firm deems suitable including but not limited to: allocations based on relative account sizes; the degree of risk involved in the securities acquired; and the extent to which a position in such securities is consistent with the IPS of the various accounts involved.

EFS may aggregate sale and purchase orders of securities held by client accounts simultaneously. EFS may do so only if it reasonably believes that aggregation is likely to produce an overall economic benefit to clients. EFS may consider better purchase or sales prices, lower commission expenses or timing of transactions, or a combination of these and other factors. In such instances, the purchase and sale of securities for the client may be affected simultaneously with the purchase and sale of like securities for other client accounts. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. If that occurs, the average price of all securities purchased or sold in such transactions may be determined and, at Capital Advisor's sole discretion, the client may be charged or credited, with the average transaction price. Averaging could result in the client paying a higher (or lower) price for securities purchased, or receiving a lower (or higher) price for securities sold, than would be the case if other managed accounts were not concurrently purchasing or selling like securities.

#### **Item 13: Review of Accounts**

Investment Consultants review client accounts and provide each client with a written Executive Summary, or similar documentation, on a quarterly basis. The Executive Summary provides quarterly account values and account performance information in comparison to the account's benchmark(s). Generally, an Investment Consultant discusses with each client in person on a quarterly basis to review the Executive Summary. At the meeting, the Investment Consultant reviews the Executive Summary, as well as market conditions and other circumstances as warranted. The Investment Consultant will also discuss any recommendations regarding portfolio repositioning or rebalancing with the client. More frequent reviews of client accounts may be triggered by material changes in the client's individual circumstances, or market, political or economic circumstances.

EFS makes information regarding client account values and transactions available to clients through its website on a daily basis. Additionally, the Firm may provide a report regarding changes in the market value of client accounts, as well as a realized and unrealized gain/loss and income and expense report periodically or upon request by the client. As described above, the Firm provides written Executive Summaries to clients on a quarterly basis and reports tracking the delivery of K1s for private funds on an

annual basis. Written realized and unrealized gain/loss and income and expense reports are also updated in mid-February and provided to clients shortly thereafter to report any restated transaction data.

#### **Item 14: Client Referrals and Other Compensation**

EFS may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to the Firm in compliance with Rule 206(4)-3 under the Advisers Act. The compensation paid to Solicitors will typically consist of a cash payment stated as a percentage of the advisory fees paid to the Firm by the client referred by the Solicitor. The advisory fees paid to the Firm by clients referred by Solicitors are not increased as a result of referrals. Whenever EFS pay a referral fee, it requires the Solicitor to provide the prospective client with a copy of Part 2 of the Firm's Form ADV and a separate disclosure document that includes the following information:

- the Solicitor's name and relationship with the Firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to the Firm by the client will be increased above the Firm's standard advisory fees in order to compensate the Solicitor.

As described in the *Brokerage Practices* section of this brochure, the Firm receives an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to the Firm whose clients maintain their accounts at Schwab or Fidelity. These products and services, how they benefit the Firm, and the related conflicts of interest are also described in the *Brokerage Practices* section of this brochure. The availability of Schwab's or Fidelity's products and services to the Firm is not based on the Firm giving particular investment advice, such as buying particular securities for the Firm's clients.

#### **Item 15: Custody**

EFS does not maintain physical custody of client assets. Assets in client accounts are held in custody at Fidelity, Schwab or another independent qualified custodian. Clients may authorize EFS to directly debit advisory fees from their accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from the client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Clients should carefully review the account statements they receive from their custodian, and compare those statements to account information provided by the Firm. Clients should contact the Firm and their custodian directly if they believe that there may be an error in any statement provided by the Firm or their custodian.

#### **Item 16: Investment Discretion**

EFS may accept discretionary authority to make investment decisions for client account subject to client directions and restrictions. Any discretionary authority would be reflected in the investment advisory agreement between EFS and the client. The following discretionary authority may be utilized as an investment option:

- which securities to buy or sell;
- the total amount of securities to buy or sell;
- the prices at which securities are to be bought or sold;
- the broker or dealer through which transactions are executed and;
- markups/mark-downs and other transaction costs, where applicable, for such transactions.

## **Item 17: Voting Client Securities**

EFS does not accept proxy voting authority from clients. Money Managers recommended by EFS may or may not accept the authority to vote client proxies. Clients will receive their proxies or other solicitation materials directly from their custodian or broker-dealer. Clients should contact their custodian, broker-dealer or Money Manager rather than the Firm with questions about a particular solicitation.

## **Item 18: Financial Information**

EFS has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

## **Privacy Policy**

EFS works hard to maintain the highest standards of confidentiality and respect of the privacy of our client relationships. In that regard, we are providing this Privacy Policy to all of our individual clients who obtain financial products and services from us for personal, family or household purposes in accordance with Title V of the Gramm-Leach-Bliley Act of 1999. The protection of your privacy is a vital part of our relationship with you. This notice supplements any privacy policies or statements that we may provide in connection with specific products or services.

### **Information We Collect About You:**

During the course of regular business practices, confidential information is collected through various channels. The non-public personal information we collect about you (your "Information") comes primarily from the following sources:

- ◆ Information we receive from you on applications or other forms;
- ◆ Information about your transactions with us, our affiliates, or others; and
- ◆ Information received from a consumer reporting agency.

### **Our Disclosure Policies:**

We do not disclose any nonpublic personal information about our customers or former customers to any nonaffiliated third parties, except as permitted by law or directed by you.

We may use third party service providers for several purposes. The third party service providers are bound by obligations of confidentiality not to disclose any information provided by us about its customer and may not use such information for any purposes other than the performance of the particular services for which they have been contracted.

We reserve the right to disclose or report nonpublic personal information in limited circumstances where we believe in good faith that such disclosure is permitted or required by law, to cooperate with regulators or law enforcement authorities, to perform any necessary credit checks, to collect or report debt owed to us or to protect our rights or property.

### **Our Information Security Policies:**

We limit access to your information to those employees, affiliates and service providers who are involved in offering or administering the products or services that we offer. We maintain physical, electronic, and procedural safeguards that are designed to comply with federal standards to guard your Information.

In the event you elect to opt out from our sharing your Information with our clearing agent, then it is highly possible that we will not be able to service your account with our Firm. Please call us at 415/449-1000 if you choose to opt out.

If our relationship ends, we will continue to treat the information as described in this Privacy Policy.