

Item 1- Cover Page

Stonnington Group, LLC

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This Brochure provides information about the qualifications and business practices of Stonnington Group, LLC ("Stonnington"). If you have any questions about the contents of this Brochure, please contact us at (213) 683-4511. 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.

Stonnington is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information through which you determine to hire or retain an Adviser.

Additional information about Stonnington is also available on the SEC's website at www.adviserinfo.sec.gov

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 30, 2012 differs from the previous version, dated February 22, 2012 in that Items 4, 5, 6, 10 and 17 contain updated information as summarized below and further described within the Brochure.

Item 4 contains updated information concerning discretionary and non-discretionary advisory assets under management and enhancements to our Pension Consulting Services.

Item 5 now includes Product-Based Compensation, which had previously been reported solely under Item 10.

Item 6 has been updated to reflect the consolidation of the Stonnington Asset Allocation, LP and the Stonnington Managed Risk Fund.

Item 10 has also been updated to reflect the consolidation of the two entities, as noted above in Item 6.

Item 17 has been revised to disclose that under certain portfolio management strategies, the firm may vote client securities.

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

Currently, our Brochure may be requested by contacting Brenda Imes, our Chief Compliance Officer at (213) 683-4542 or brenda@stonningtongroup.com. Our Brochure is also available on our web site www.stonningtongroup.com, also free of charge.

Additional information about Stonnington is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Stonnington who are registered, or are required to be registered, as investment adviser representatives of Stonnington.

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Item 4 – Advisory Business

Stonnington Group, LLC ("Stonnington"), is a SEC-registered investment adviser with its principal place of business located in California. Stonnington began conducting business in 2004.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Nicholas Henry Stonnington, Principal and Managing Member

We advise clients on the most effective ways to handle such matters as financial planning, investment strategies, retirement plans and business or practice matters. To accomplish these services, Stonnington utilizes financial planners, retirement specialists, investment analysts and 3rd party investment managers,

The overall approach underlying Stonnington's advice is supported by its representative's education and years of experience, the institutional knowledge possessed by Stonnington in-house or outside experts and access to advanced analytic tools. In the following pages, we provide you with more information about Stonnington's programs, investment philosophy and strategies, key personnel and other matters of interest.

Stonnington offers its clients the option of participating in a wrap fee program. To these clients we act as a manager of managers, overseeing the manager's performance. In lieu of charging an investment advisory fee, we receive our compensation from the wrap fee program. For non-wrap fee clients, we manage the client's portfolio directly and charge an investment advisory fee. Item 5 below discusses our fees and compensation in full detail.

Stonnington offers Portfolio Management (continuous, routine or periodic) on either a discretionary or non-discretionary basis. Stonnington also offers investment advice, financial planning and consulting.

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

Stonnington will manage a discretionary client's portfolio on a continuous or routine (i.e. daily, weekly or monthly as agreed in writing) or on a periodic basis. Stonnington will assist such clients in identifying and articulating the appropriate investment objectives and developing a strategy designed to achieve those objectives. When necessary, Stonnington may prepare an Investment Policy Statement ("IPS") for each client that will include an overall asset allocation plan, types of asset classes to be utilized, general construction of the client's portfolio

and any restrictions on investments. Absent an IPS, Stonnington will attempt to manage client's assets in accordance with the risk/return profile resulting from Stonnington's knowledge of the client and his or her goals. Generally the approach will be to maximize long term return which may include greater than average risk and aggressive positions. Stonnington will have full discretion to invest and trade the client's assets in accordance with the client's individualized investment plan. Stonnington may purchase and sell all securities that it advises on including, without limitation, mutual funds, money market funds, individual equities, fixed income and other securities for the account of the client. Because clients' investment objectives may differ, Stonnington may take positions for certain clients' portfolios that are contrary to the positions it takes for other clients' portfolios.

Stonnington also provides non-discretionary investment management services. Stonnington will assist clients in identifying and articulating the appropriate investment objectives and formulating a customized plan designed to achieve those objectives. Clients will approve in advance any orders for securities transactions placed by Stonnington which may in the case of rebalancing be indicated by the client's approval of the investment policy guideline or Client Investment Plan. Clients will approve any outside brokers and custodians and will enter into separate agreements with outside custodians or brokers. Stonnington may use third party asset managers (outside investment sub advisors) as disclosed to its clients from time to time.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

- ETF

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

MANAGER OF MANAGERS PROGRAM

Stonnington offers advisory management services to clients through our Manager of Managers Program. We provide the client with an asset allocation strategy developed through personal discussions in which the client's goals and objectives are established based on the client's particular circumstances. If the client has an existing Personal Investment Policy Statement, this asset allocation strategy is drafted into the document.

Stonnington performs management searches of various registered investment advisers. Based on the client's individual circumstances and needs we determine which selected registered investment adviser's ("adviser" or "asset manager") portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected asset manager. Clients should refer to the asset manager's Firm Brochure or other disclosure document for a full description of the services offered. Client meetings are available on a regular basis, or as determined by the client, to review the account.

Once we identify the most appropriate asset manager(s), our firm provides the selected adviser with the client's profile or Personal Investment Policy Statement. The selected advisor then creates and manages the client's portfolio based on that profile or Investment Policy Statement.

On an ongoing basis, we monitor the performance of the asset manager(s). If we determine that a particular adviser is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with that client's profile or Personal Investment Policy Statement, then we may move the client's portfolio to a different asset manager and/or program sponsor. Under this scenario, our firm retains the discretion to hire and fire the asset manager and/or move the client's portfolio to a different program.

At least annually, we meet with the client to review and update, as necessary, the client's Personal Investment Advisory Statement or profile. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's Personal Investment Advisory Statement or profile is warranted.

PENSION CONSULTING SERVICES

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

Investment Policy Statement Preparation (hereinafter referred to as "IPS"):

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles:

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to the client's profile or to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS or profile. At the client's election, Stonnington may exercise discretion over the selection, removal and replacement of investments.

Monitoring of Investment Performance:

We monitor client investments continually, based on the procedures and timing intervals delineated in the IPS, if there is one. In most cases we do not have discretion for retirement plans as they are 401(k) plans. We supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate. However, for smaller pooled plans, we may exercise discretion.

Employee Communications:

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). If requested by the client, we will educate plan fiduciaries regarding their fiduciary responsibilities. We may also assist with participant enrollment and provide discretionary or non-discretionary advice to participants.

SELECTION AND MONITORING OF THIRD-PARTY MONEY MANAGERS

We also offer advisory management services to our clients through our Selection and Monitoring of Third-Party Money Managers programs (hereinafter, "Programs").

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.

Based on the client's individual circumstances and needs we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with the client's investment strategy. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's goals, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists the client in selecting a new registered investment adviser and/or program. However, any move to a new registered investment adviser and/or program is solely at the discretion of the client.

FINANCIAL PLANNING

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

- Exchange-listed securities

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

ASSETS UNDER MANAGEMENT (AUM)

As of December 31, 2011, Stonnington had \$142,033,907 in discretionary advisory AUM and \$91,601,053 in non-discretionary advisory AUM. The total advisory AUM was \$233,634,960. These numbers reflect the firm's Regulatory Assets Under Management.

Item 5 – Fees and Compensation

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

Fees for a discretionary client are based upon the total assets under management and a percentage of the total return as stated in the Investment Advisory Agreement, according to the following schedule unless otherwise specified in the Investment Advisory Agreement:

- 1.50% per year for the first \$2,000,000 of assets under management subject to minimum fee below*
- 1.00% per year for all assets under management over \$2,000,000

*The minimum annual fee is \$2,500 but not to exceed 3% per year of a client's assets under management and the minimum initial account size is \$1,000,000. Separately Managed Accounts (SMAs) are exempt from our minimum account sizes and subject only to the minimums SMA provider's minimums, which may vary.

Management fees are payable quarterly in advance, based on the total market value of the assets under management on the last business day of the preceding calendar quarter. For new accounts, quarterly fees are prorated for the initial calendar quarter and paid at the time management activity begins. Fees are deducted from the client's account and can be verified by the client on his or her custodial account statement. If services are discontinued during a quarter, a prorated portion of that calendar quarter's fee will be refunded to the client.

Additional investments made in an account after quarterly fees are assessed will have the appropriate fee subtracted as of the investment date, and prorated for the remaining portion of the quarter. Prices for most assets are available

through electronic download on a daily basis. However, daily prices may not be available for certain assets, such as some annuities, insurance products, private equity or partnership assets, etc. In such cases less frequent valuations (typically the month end or quarter end asset values) may be used in calculating the average daily balance. Also, in these instances the firm may determine valuation of certain assets by using unaudited financial figures or on a cost basis.

All fees are negotiable dependent on the situation. In some circumstances Stonnington would consider a fixed price versus a percentage of AUM.

Performance-Based Fees

Our performance-based fee schedule is based on a percentage of assets under management plus a percentage of the difference between a client's account and that of an appropriate index. The index will be chosen by Stonnington and the client based on the nature of the investment strategy to be used.

The fees charged for this service will be determined by the client's individual circumstances and will never exceed 20% of the account's performance above an appropriate index. The actual fees are disclosed to the client before entering into this type of arrangement and are detailed in the client's Investment Management Agreement. The percentage of assets under management is billed quarterly, in arrears.

The client must understand the proposed method of compensation and its risks prior to entering into the contract. Accordingly, clients paying performance-based fees are directed to the "Performance-Based Fees" section (Item 6) below for more comprehensive disclosures, including potential conflicts of interest resulting from this type of compensation.

To qualify for this type of fee schedule, a client must either demonstrate a net worth of at least \$2 million or must have at least \$1million under management.

Clients who elect to terminate their contracts will be charged a performance-based fee based on the performance of the account for the measuring period going back from the termination date and pro-rated from the date on which the performance-based fee was previously assessed by our firm.

In measuring the client's assets for the calculation of performance-based fees, Stonnington shall include: for securities for which market quotations are readily available, the realized capital losses and unrealized capital losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period.

The performance-based fee may create an incentive for Stonnington to recommend investments which may be riskier or more speculative than those

which would be recommended under a different fee arrangement.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

A minimum of \$1,000,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Stonnington may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS FEES

We are paid by the independent adviser selected by the client for portfolio management services. Our fee is based on a percentage of the client's managed assets (typically ranging up to 1% of the fee charged by the independent investment adviser, depending on the size of the account), which is included in the independent investment adviser's annual management fee. The portion of the advisory fee paid to us does not increase the client's ultimate advisory fee paid to the selected independent investment adviser.

Clients are provided with a separate disclosure document describing the fee paid to us by such independent registered investment advisers. The total asset management fee, including the referral fee paid to our firm, is disclosed in the independent investment adviser's disclosure document.

Stonnington's fee for this service does not include the independent investment adviser's fee for that entity's advisory/management services. The independent investment adviser's management fee is disclosed in the independent investment adviser's Stonnington Brochure or other disclosure document.

FINANCIAL PLANNING FEES

Stonnington's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on a fixed fee basis, typically ranging from \$1,000 to \$10,000, depending on the specific arrangement reached with the client.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$500 for work

that will not be completed within six months. The balance is due upon completion of the plan.

We may also offer clients the option to have a completed financial plan kept updated for an annual fee of 10-15% of the cost of preparing the plan.

PENSION CONSULTING FEES

Stonnington is deemed to be a fiduciary to advisory clients that are employee benefit plans. As such, our firm is subject to specific duties and obligations under ERISA that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Stonnington may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. Conversely, we may not charge for investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees. In practice, such fees are used to offset Stonnington's advisory fees. In some circumstances we receive 12b-1 fees from the funds in a pension plan, as long as all investments are within the same share class and thus the fees are level across the plan.

The fees for pension consulting generally depend on the complexity of the relationship, the service level required and assets under management (AUM). Larger accounts with a fairly low service level requirement can be assessed fees at 10 bps or lower. Accounts with low AUM and high service level requirement can be as high as 1%. All fees are negotiable dependent on the situation. In some circumstances Stonnington would consider a fixed price versus a percentage of AUM.

INVESTMENT SUPERVISORY SERVICES ("ISS") MANAGER OF MANAGERS FEES

Contractually, we are paid by the selected asset manager(s), based on a percentage of the client's assets under management with that manager. Accordingly, our fee, which typically ranges up to 1.5%, depending on the size of the account, is included in the asset manager's annual management fee.

Stonnington does not control the fees or the billing arrangements of any selected asset manager. For a complete description of the fee arrangement including billing practices, minimum account requirements and account termination provisions, clients should review the independent investment adviser's Firm Brochure or other disclosure document.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

GENERAL NOTES ON ADVISORY FEES

Termination of the Advisory Relationship: If, for any reason, a client wishes to terminate an investment advisory agreement in the first five business days after entering the agreement, the client will be entitled to a full refund of any fees paid to Stonnington under that agreement. Thereafter, a client may terminate the agreement at any time and will be refunded the amount of the quarterly fee not earned to the end of the then current calendar quarter. In such cases, the fee will be prorated for the period between the date a notice of termination is received from the client and the end of the then current quarter. To ensure clear communication, a termination notice must be in writing and is effective upon receipt by Stonnington.

Limited Negotiability of Advisory Fees: Although Stonnington has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Mutual Fund Fees: All fees paid to Stonnington for investment advisory services 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 our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Wrap Fee Programs and Separately Managed Account Fees: Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers,

which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Stonnington will ensure that clients who participate in a wrap fee program receive the appropriate wrap fee brochure. We will review with clients any separate program fees that may be charged to clients.

ERISA Accounts: Stonnington is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Stonnington may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. Conversely, we may not charge for investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees. In practice, such fees are used to offset Stonnington's advisory fees. In some circumstances we receive 12b-1 fees from the funds in a pension plan, as long as all investments are within the same share class and thus the fees are level across the plan..

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

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 similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Product-Based Compensation: Stonnington is a broker-dealer registered as such with the Securities and Exchange Commission, the Financial Industry Regulatory Authority and in various states. It is also a licensed insurance agency.

Management personnel and other related persons of our firm are licensed as registered representatives of Stonnington's broker-dealer and/or licensed as insurance agents or brokers. In their separate capacities, these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Presently, Stonnington has selected its broker dealer as the broker for a significant portion of its transactions effected for Stonnington's clients. The relationship between Stonnington and its broker dealer and the receipt of brokerage commissions by Stonnington employees for trades executed on behalf of Stonnington's clients is a conflict of interest. Stonnington acknowledges its fiduciary obligations to its advisory clients and in all cases in which transactions are directed to its broker dealer, or to any other broker, Stonnington and its principal will determine in good faith that the commissions charged in connection with those trades are reasonable in relation to the value of the brokerage, research and other services provided by that broker, viewed in terms of either the specific transaction or Stonnington's overall responsibilities to the portfolios over which Stonnington exercises investment authority. Nevertheless, Stonnington's clients may be able to obtain more favorable brokerage commission rates elsewhere, particularly when one considers the advisory fees being paid to Stonnington. Stonnington's clients may also seek execution of transactions recommended by Stonnington through brokerage firms other than Stonnington's broker dealer. If a client so desires to use another brokerage firm, that client must notify Stonnington in writing. Stonnington may elect to use different brokerage firms from its own for similar arrangements.

Item 6 – Performance-Based Fees and Side-By-Side Management

POOLED INVESTMENT VEHICLES

As described in greater detail in the offering documents for the Fund, Stonnington is paid an annual management fee by the Stonnington Asset Allocation, LP ranging from one percent to two percent of the invested capital of each investor. The Management Fee is calculated and payable quarterly in advance and prorated for periods of less than three months. In addition, as described in greater detail in the offering documents for the Fund, Stonnington will be paid an annual incentive fee by Stonnington Asset Allocation of as much

as 20% of the net profits earned by the investors in the Fund (dependent on the asset type).

INDIVIDUAL INVESTORS

Stonnington may enter into agreements with individual clients to receive performance fees based on the account's capital appreciation (e.g. percentage of capital appreciation, percentage of absence of capital losses, percentage of outperformance over a stated benchmark, escalating fee rate, asymmetrical fulcrum fee, and carried interest above a predetermined hurdle rate or other performance criteria). These Performance Fee Agreements will only be entered into if an exemption to the prohibition of section 205(a) (1) of the Advisers Act (prohibiting performance fees) and applicable state law is provided. Most often Stonnington will enter into performance fee agreements with "qualified clients." Such "qualified clients" will have either \$1 million of assets under management with Stonnington prior to entering into the performance agreement, or have \$2 million in net worth, or are otherwise "qualified purchasers" under Section 2(a) (51) (A) of the Investment Company Act of 1940 (i.e. natural persons or family-owned companies owning at least \$5 million in investments, or which manage accounts of at least \$25 million).

Performance fee agreements may incent Stonnington to take greater risk in its recommendations to the client to achieve certain performance criteria or hurdles. All clients accepting a performance fee arrangement will be required to acknowledge in writing that they have an aggressive risk tolerance and that they accept this potential conflict of interest. Clients should be aware that performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. For example, Stonnington may invest client assets in hedge funds or other private equity funds upon which Stonnington otherwise advises or from which Stonnington receives other forms of compensation. Stonnington will disclose the details of such conflicts of interest to the client prior to investing the client's assets in such investments.

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts. However, the situations in which Stonnington collects a performance fee are unique and rare. Because these situations are extremely rare, we address the potential conflict on a case-by-case basis.

Item 7 – Types of Clients

Stonnington provides portfolio management and financial planning services to individuals, high net worth individuals, corporate pension and profit-sharing plans, foundations, private pooled investment funds, trust programs, and US institutions. We generally do not accept accounts under \$100,000.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Stonnington generally focuses on financial planning and asset allocation, manager and security selection. The client's investments are evaluated to determine whether they correspond with his or her financial objectives. Stonnington designs and proposes portfolios to help clients attain their financial goals. Some methods used in providing this advice are charting, fundamental economic and investment analysis, technical investment analysis and/or cyclical analysis. The asset allocation service utilizes a strategy designed in accordance with individual client risk tolerance to deliver the optimal mix of asset classes, using a tailored mix of securities including equities such as direct issues and mutual funds. In addition, for fixed income, Stonnington generally builds portfolios using investment, and sometimes below-investment grade fixed income instruments with maturities designed to provide either preservation of capital or current income. Further, Stonnington will on occasion recommend private equity investments and/or hedge funds.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. Investing in securities involves many variables, including but not limited to market and economic fluctuations, may have a substantial negative effect on the value of your securities positions. Money invested in securities is not guaranteed against loss by any governmental or non-governmental organization. Stonnington seeks to ensure that each client understands and is willing to assume these risks and is in fact financially able to bear these risks. Each client must notify Stonnington in writing should their financial condition materially change, or should their investment objective change from when the account was opened. Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Stonnington or the integrity of Stonnington's management. Stonnington has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

QBI, LLC is a third party pension administrator that offers a comprehensive range of retirement plan design to companies and entrepreneurs. Its headquarters are located in Woodland Hills, California. QBI is under common ownership with Stonnington. When acting as advisor to pension plans, we may inform them that QBI's services are available. However, we do not recommend, select or require plans to use QBI as their TPA.

Stonnington is also a broker-dealer registered as such with the Securities and Exchange Commission, the Financial Industry Regulatory Authority and in various states. It is also a licensed insurance agency.

Nicholas Stonnington and other related persons of our firm are licensed as registered representatives of a broker-dealer. Mr. Stonnington is also a licensed insurance agent. In their separate capacities, these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Presently, Stonnington has selected its broker dealer as the broker for a significant portion of its transactions effected for Stonnington's clients. The relationship between Stonnington and its broker dealer and the receipt of brokerage commissions by Stonnington employees for trades executed on behalf of Stonnington's clients is a conflict of interest. Stonnington acknowledges its fiduciary obligations to its advisory clients and in all cases in which transactions are directed to its broker dealer, or to any other broker, Stonnington and its principal will determine in good faith that the commissions charged in connection with those trades are reasonable in relation to the value of the brokerage, research and other services provided by that broker, viewed in terms of either the specific transaction or Stonnington's overall responsibilities to the portfolios over which Stonnington exercises investment authority. Nevertheless, Stonnington's clients may be able to obtain more favorable brokerage commission rates elsewhere, particularly when one considers the advisory fees

being paid to Stonnington. Stonnington's clients may also seek execution of transactions recommended by Stonnington through brokerage firms other than Stonnington's broker dealer. If a client so desires to use another brokerage firm, that client must notify Stonnington in writing. Stonnington may elect to use different brokerage firms from its own for similar arrangements.

Management personnel of Stonnington are related, through common ownership and control, to Stonnington Capital, LLC, a company formed to create and package limited partnerships (or similar pooled investment vehicles hereinafter referred to as "entities") for investment purposes. Stonnington or one or more of our related persons also act as general partner or manager of these entities. Currently, there is only one affiliated entity which is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

In addition, our firm serves as the investment adviser to such entities. Advisory clients of our firm are solicited to invest in these entities; however, because investment in these types of entities may involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Clients are under no obligation to invest in any of the above described entities or to implement any advisory recommendations.

Clients should be aware that the receipt of additional compensation by Stonnington and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Stonnington endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;

- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Management personnel of Stonnington, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Item 11 – Code of Ethics

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

Stonnington anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Stonnington has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Stonnington, its affiliates and/or clients, directly or indirectly, have a position of interest. Stonnington's employees and persons associated with Stonnington are required to follow Stonnington's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Stonnington and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Stonnington's clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Stonnington will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt

transactions, based upon a determination that these would materially not interfere with the best interest of Stonnington's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Stonnington and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Stonnington's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Stonnington will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Stonnington's clients or prospective clients may request a copy of the Stonnington's Code of Ethics by contacting the firm's Chief Compliance Officer, Brenda Imes, at 213-683-4542, or by email at brenda@stonningtongroup.com.

Stonnington may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which Stonnington, acts as broker for both the advisory client and for another person on the other side of the transaction.

The principals of Stonnington are also the principals of Stonnington Asset Allocation, L.P., a Delaware limited partnership (the "Fund") as the *General Partner*, the Fund. The General Partner has designated Stonnington as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, pertaining to the Fund. Stonnington and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. Stonnington and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Funds and/or may involve substantial time and resources

of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Funds, but could be allocated between the businesses of the Funds and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Stonnington manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 – Brokerage Practices

Stonnington does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Stonnington requires that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Stonnington will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Stonnington will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Stonnington's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Stonnington, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Stonnington to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities

actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Stonnington's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Stonnington's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

As noted in Item 10, Other Financial Industry Activities and Affiliations, Stonnington is a broker-dealer, registered with The Securities and Exchange Commission and the Financial Industry Regulatory Authority. Stonnington is an introducing broker-dealer, meaning that it clears its securities trades through another registered broker-dealer, Pershing LLC ("Pershing"). Under its clearing agreement with Pershing, Stonnington receives compensation for brokerage transactions executed on behalf of its clients. The compensation Stonnington receives is more fully discussed above in Item 5 – Fees and Compensation.

Stonnington may recommend that clients establish brokerage accounts with Pershing a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Pershing, it is the client's decision to custody assets with Pershing. Stonnington is independently owned and operated and not affiliated with Pershing. If a client elects to open an account other than with Pershing, Stonnington may be unable to aggregate orders to reduce

transaction costs or the client may receive less favorable prices.

Stonnington has negotiated an arrangement with Pershing to provide custodial and brokerage services as part of its program. As such, Stonnington reserves the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than Pershing. In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by Stonnington on a trade-by-trade basis, best execution may not be achieved and may cost the client more money.

Pershing provides Stonnington with access to its custody services, which are typically not available to Pershing retail investors. These services are not contingent upon our firm committing to Pershing any specific amount of business (assets in custody or trading commissions). Pershing's brokerage services include the execution of securities transactions, custody, and access to mutual funds.

For our client accounts maintained in its custody, Pershing generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Pershing or that settle into Pershing accounts.

Stonnington's receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

Item 13 – Review of Accounts

INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: **Brenda Imes, Chief Compliance Officer**

FINANCIAL PLANNING

REVIEWS: Clients receive a financial plan and/or ongoing investment advice. Clients have as much access to the firm as they need within reason. Stonnington periodically reviews investments and/or financial plan, as applicable, for

continued viability with respect to the client's circumstances, objectives and volatility tolerance. Investment account allocations are, depending on portfolio size, reviewed annually, semi-annually or quarterly. Stonnington employs periodic compliance reviews of accounts in an attempt to identify any deviation from Stonnington's policies and procedures.

These accounts are reviewed by: **Brenda Imes, Chief Compliance Officer**

MANAGER OF MANAGERS PROGRAM

REVIEWS: The performance of the registered investment adviser(s) selected to manage client portfolios within our Manager of Managers Program is continually monitored by Stonnington. Furthermore, accounts within this program are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: **Brenda Imes, Chief Compliance Officer**

PENSION CONSULTING SERVICES

REVIEWS: Stonnington will review the client's strategy whenever the client advises us of a change in circumstances regarding the needs of the plan. Such reviews will generally occur quarterly.

These accounts are reviewed by: **Brenda Imes, Chief Compliance Officer**

REPORTS: Stonnington may provide reports to Pension Consulting Services clients based on the terms set forth in the initial agreement.

SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS

REVIEWS: These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Stonnington will provide reviews *as contracted for at the inception of the advisory relationship*.

These accounts are reviewed by: **Brenda Imes, Chief Compliance Officer**

REPORTS: Stonnington does not typically provide reports in addition to those provided by the independent registered investment adviser selected to manage the client's assets.

Item 14 – Client Referrals and Other Compensation

Stonnington has entered into a solicitation agreement with Penniall & Associates (Penniall), a Registered Investment Advisor. Under this agreement Penniall agrees to refer potential clients to Stonnington. If Stonnington becomes advisor to any of these referrals, Stonnington will pay to Penniall 40% of the advisory fees it receives from the referred client. This solicitation agreement and related fees are disclosed to referred clients.

It is Stonnington's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 – Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that 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.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Item 16 – Investment Discretion

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

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

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or

- determine the amount of the security to buy or sell

Investment guidelines and restrictions must be provided to Stonnington in writing.

Item 17 – Voting Client Securities

As a matter of firm policy, we generally do not vote proxies on behalf of clients. The exceptions to this policy involve the voting of proxies related to the Stonnington Asset Allocation Fund and activist portfolio management services offered to certain clients.

The Offering Memorandum for the Stonnington Asset Allocation Fund specifies that the General Partner will vote proxies solely for the privately-held companies in which the fund invests.

Certain clients engage our services to achieve specific corporate governance goals, a strategy referred to as shareholder activism. These goals are fully discussed and agreed upon prior to the engagement. This process reduces or eliminates the potential for material conflicts of interest. Once the advisory relationship is established, we discuss with clients our proxy voting policies and request permission for our intended votes before taking any action. We maintain proxy voting records and report to each client the votes that have been placed on their behalf. Clients may obtain a copy of our proxy voting policies and procedures upon request to Stonnington's Chief Compliance Officer, Brenda Imes at the telephone number listed on the cover of this brochure.

In all other instances, while our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

Item 18 – Financial Information

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Stonnington has no

additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered.

Therefore, we are not required to include a financial statement.

Stonnington has not been the subject of a bankruptcy petition at any time during the past ten years.