

**Item 1 – Cover Page**

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This brochure (“Brochure”) provides information about the qualifications and business practices of HPM PARTNERS LLC (“HPM Partners”). If you have any questions about the contents of this Brochure, please contact us at (212) 850-4284 or [rseco@hpmpartners.com](mailto:rseco@hpmpartners.com). 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.

HPM Partners is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with the information to evaluate in deciding to hire or retain an adviser.

Additional information about HPM Partners is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The following is a summary of material changes to this Disclosure Statement from the version submitted to the Securities and Exchange Commission and provided to all HPM Clients in 2011:

- Items 5 and 10 have been updated to include information about HPM Partners fee credit policy whereby HPM Partners will provide clients with fee credits for future services equal to any referral fees received for referring that client to a third-party service provider.
- Item 10 was further updated to reflect that HPM Partners is in the process of registering as a licensed insurance producer. HPM Partners will not sell insurance but will be licensed to accept referral fees.
- Item 10 was also updated to reflect additional affiliations with certain financial institutions within the Emigrant Bank enterprise.
- Item 15 was updated to reflect that under Rule 206(4)-2 of the Advisers Act, HPM Partners will be deemed to have custody of assets for those clients that engage HPM Partners for bill pay service.

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## **Item 4 – Advisory Business**

### *Firm Description and Principal Ownership*

HPM Partners LLC (“HPM Partners”) is an SEC registered investment adviser providing Investment Management, Wealth Planning, Tax, and Private Capital Finance Services to individuals and institutions. HPM Partners works closely with clients’ other advisors, to develop, implement, and monitor investment and wealth management programs. HPM Partners was formed in August of 2009 by a group of experienced wealth management professionals and the Milstein family. HPM Partners is principally owned by the Milstein family through Emigrant Bank.

### *Services Offered*

HPM Partners offers the following services:

#### Investment Advisory

- Current Portfolio Evaluation
- Assessment of investment objectives and financial goals
- Investment Policy Development
- Strategic Asset Allocation Planning
- Manager Search & Evaluation
- Investment Program Implementation & Rebalancing
- Portfolio Monitoring & Risk Management
- Performance Measurement & Attribution Analysis

#### Wealth Planning

- Net worth analysis
- Liquidity and liability management
- Insurance planning and risk management
- Estate and wealth transfer planning
- Compensation and benefits analysis
- Retirement planning
- Education planning
- Philanthropy and charitable gift planning
- Bill Payment Service and Client Accounting

#### Tax

- Preparation of annual and multi-year tax projections
- Tax planning for investments and wealth transfer
- Preparation of individual, family, trust and corporate tax returns
- Preparation of estimated quarterly tax payments
- Tax planning for charitable gifting

## Private Capital Finance

- Assessment of the optimal mix of assets and liabilities
- Analysis of the cost and structure of existing loans
- Identification of alternative sources of capital and financing
- Negotiation of competitive terms and pricing for new loans

### *Customization*

HPM Partners tailors all services to the individual investment needs of its clients by determining each client's specific goals, objectives, risk tolerance, time horizon, investment restrictions and other factors that might affect the client's investment needs (collectively, the "Investment Profile"). Based on this determination, HPM Partners designs and implements an asset allocation framework geared toward achieving the defined objectives. HPM Partners customizes all portfolios to the Investment Profile of each client. This includes, where practicable, accommodating a client's reasonable investment restrictions in the construction of the portfolio.

### *Assets Under Management*

As of March 31, 2012 HPM Partners manages \$ 1,469,670,713 in client assets. These assets include assets for which HPM Partners provides recommendations, investment implementation as well as those assets for which HPM Partners provides recommendations and comprehensive reporting but not implementation of investment recommendations.

## **Item 5 – Fees and Compensation**

Depending on the services provided, HPM Partners will charge an asset based or fixed fee. HPM Partners' fees are exclusive of, and in addition to, charges imposed by custodians, brokers, third party investment managers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, mutual funds and exchange-traded funds charge internal management fees, which the fund discloses in its prospectus. HPM Partners will not share in any of these additional fees. Item 12 further describes the factors that HPM Partners considers in selecting or recommending broker-dealers for its clients' transactions and determining the reasonableness of their compensation.

HPM Partners calculates fees quarterly in arrears, and either mails an invoice to the client or debits fees directly from the client's account. Where the fee is a percentage of the assets managed by HPM Partners, HPM Partners will calculate the fee based on the value of the assets in the client's account(s) at the end of the quarter. HPM Partners relies on independent third-party pricing services to calculate the value of client assets. HPM Partners will charge a prorated fee for any accounts initiated or terminated during a calendar quarter. Upon termination of any

account, any earned, unpaid fees will be due and payable and debited directly from the client's investment accounts.

HPM Partners custom-designs its investment advisory services, based on a number of factors, including the size, complexity, scope and composition of the client relationship, to meet each client's needs and objectives. Accordingly, HPM Partners' proposed investment advisory fee arrangements reflect the unique elements of each client engagement. Additionally, HPM Partners generally quotes fees for wealth-planning, tax, and private capital finance services as a fixed annual retainer, based on the estimated number of hours required from partners and associates providing these services.

HPM Partners may propose offsetting all or a portion of its fees for wealth planning, tax, or private capital finance service with an asset-based fee for providing wealth planning and tax services along with investment advisory services.

In addition, as further described in Item 10 below, as part of certain contractual referral relationships with industry service providers, HPM Partners may receive compensation from those service providers for referring clients. The services for which HPM Partners may refer clients include non-mortgage lending, life, property and casualty insurance and other financial services requested by a client. When HPM receives a referral fee from a service provider, HPM will offer the referred client a fee credit equal to the referral fee toward additional services for which the client has not already engaged HPM Partners. The fee credit may not be used towards services already provided or contracted for at the time the fee credit is earned. The fee credits have no cash value and are not redeemable for cash. Any fee credits earned by the client shall be valid for the term of the client's contract with HPM Partners or until such time as HPM Partners terminates the fee credit program. HPM Partners may terminate the fee credit program at anytime without prior notice.

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

HPM Partners may enter into performance fee arrangements with qualified clients. All performance-based fee arrangements are subject to individualized negotiation. HPM Partners will structure any performance or incentive fee arrangement in compliance with the provisions of Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") and the rules promulgated under the Advisers Act. In measuring clients' assets for the calculation of performance-based fees, HPM Partners will include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive to recommend investments, which may be riskier or more speculative than those that would be recommend under a different

fee arrangement. Performance-based fee arrangements also may create an incentive to favor performance-based fee paying accounts over other accounts in the allocation of investment opportunities. HPM Partners has procedures designed and implemented to ensure that it treats all clients fairly and equally, and prevents this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

HPM Partners provides its services to high net worth individuals, trusts, business entities, corporate pension and profit-sharing plans, charitable institutions, foundations, and endowments.

As a condition for starting and maintaining a relationship, HPM Partners generally requires a minimum portfolio size of \$2,000,000 and a minimum annual fee of \$20,000. These minimums may have the effect of making HPM Partners' service impractical for certain individuals or entities. HPM Partners, in its sole discretion, may waive its stated account minimum or charge a lesser minimum fee. Additionally, certain third-party managers recommended by HPM Partners may impose more restrictive account requirements and use different billing practices from those of HPM Partners. In these cases, HPM Partners may alter its account requirements and/or billing practices to accommodate the third-party manager.

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

Asset allocation is a strategy, advocated by modern portfolio theory, for reducing risk in an investment portfolio in order to maximize returns. Specifically, asset allocation means dividing client assets among different broad categories of investments, called asset classes under the presumption that each different asset class performs differently as economic conditions change. HPM Partners develops an asset allocation strategy for each client based on the client's unique Investment Profile. HPM Partners uses six (6) primary assets classes and sixteen (16) sub-asset classes in developing its allocations:

- Cash
- Global Fixed Income
  - Domestic Govt./Agency
  - Domestic Tax Exempt
  - Emerging Market Debt
  - Investment Grade Credit
  - High Yield Credit
  - Global Bonds



➤ Global Equity

- US Large Cap
- Small/Cap
- Global Equity
- Emerging Market Equity

➤ Real Return

- Real Estate
- Commodities
- Treasury Inflation Protected Securities (TIPS)

➤ Hedge Funds

➤ Private Equity

In an effort to assist clients understand the potential risk and reward of their risk tolerance, HPM Partners has developed four (4) investment risk profiles for tax exempt and taxable portfolios, respectively:

- Conservative
- Moderate
- Growth
- Aggressive

HPM Partners will design an investment program based on the client's particular Investment Profile. HPM Partners will rebalance, as necessary, the client's portfolio from time to time to bring the allocation within the parameters of its investment program policy. In addition, HPM Partners will re-evaluate each client's circumstances on a regular basis and adjust its recommendations as necessary to respond to changes in the client's Investment Profile. Diversification of investments among asset classes does not insulate an investor from market risk and does not ensure a profit. There is no guarantee that HPM Partners' will design a portfolio that will meet the client's objectives or be profitable.

HPM Partners implements its recommendations by allocating a client's assets among managers who specialize in managing assets according to each of HPM Partners sixteen (16) recognized asset classes. Certain investments, such as private equity and hedge funds, may require investors to meet eligibility requirements or limit liquidity. To accommodate all client profiles and preferences, HPM Partners develops suitable investment programs, which either include or exclude hedge funds and private equity as necessary.

From time to time, HPM Partners reviews all investment programs to assess their effectiveness relative to current objectives and market conditions. Based on these reviews, HPM Partners may

change the make-up of its investment strategies. The underlying investments and the portfolio allocation ranges in each strategy are subject to change from time to time without notice.

**Investing in securities involves risk of loss that clients should be prepared to bear.** While no list of risks could be exhaustive, the following is a list of risks associated with the asset classes contained in HPM Partners' investment programs and recommendations.

*Risk Factors:*

Cash

- *inflation risk*, the risk that the rate of inflation will erode the purchasing power of cash over time;

Global Fixed Income

- *interest rate risk*, which is the chance that fixed income prices overall will decline because of rising interest rates;
- *inflation risk*, that the rate of return on fixed income investments will be lower than the rate of inflation;
- *income risk*, which is the chance that the income produced by investments will decline because of falling interest rates;
- *credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline,; and
- *call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The investment would then lose any price appreciation above the bond's call price and HPM Partner's would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the income produced by the investment. For mortgage-backed securities, this risk is known as *prepayment risk*.

Global Equity

- *stock market risk*, which is the chance that equity prices overall will decline;
- *country/regional risk*, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of companies in a particular country or region; and
- *currency risk*, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

### Real Return

Real Estate: All of the following, if they were to come to pass, tend to negatively affect the value of real estate and investments linked to real estate:

- changes in economic conditions;
- changes in interest rates;
- property tax increases;
- overbuilding and increased competition;
- environmental contamination
- changes in zoning; and
- the impact of natural disasters.

Commodities: The following tend to negatively affect the value of commodities and investments linked to commodities:

- changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments;
- energy related commodities (such as oil and gas) can be significantly affected by changes in the prices and supplies of oil and other energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations, policies of the Organization of Petroleum Exporting Countries (OPEC) and relationships among OPEC members and between OPEC and oil importing nations.
- Metals (such as gold and silver) can be affected by sharp price volatility over short periods caused by global economic, financial and political factors, resource availability, government regulation, economic cycles, changes in inflation or expectations about inflation in various countries, interest rates, currency fluctuations, metal sales by governments, central banks or international agencies, investment speculation and fluctuations in industrial and commercial supply and demand.

### Private Equity and Hedge Funds:

- *limited operating history*, hedge funds and private equity funds are often created for specific investment opportunities and often have limited or no operating history;

- *key personnel*, hedge funds and private equity funds are typically dependent on certain key employees whose loss could adversely affect a fund's performance;
- *illiquidity*, investments in hedge funds and private equity funds are typically subject to "lock-up" periods and redemption restrictions that will inhibit an investor for withdrawing funds from these investments. In addition, there is almost no secondary market hedge fund and private equity fund interests further limiting an investor's ability to "cash out" of such an investment.
- *regulatory risk*, hedge funds and private equity funds have operated in a substantially unregulated environment for many years; however, the Dodd Frank Wall Street Reform and Consumer Protection Act became law in July 2010 and materially increased regulation of the financial markets in general as a result of the recent "financial crisis." Hedge funds and private equity funds may be subject to additional regulation in the future and any such additional regulation may be materially adverse to their investment prospects.

In addition to the risks associated with the individual asset classes discussed above, HPM Partners' investment methodology is subject to:

- *asset allocation risk*, which is the chance that the selection of underlying investments and the allocation of assets to them, will cause the client's portfolio to underperform other investments or strategies with similar investment objectives; and
- *manager risk*, which is the chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause one or more of the underlying third-party managers selected by HPM Partners to underperform relevant benchmarks or other strategies with similar investment objectives.

The client's exposure to the risk factors discussed above is proportionate with the percentage of their portfolio allocated to a particular asset class.

## **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 the adviser or the integrity of adviser's management. HPM Partners has no information applicable to this Item.

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

HPM Partners is majority owned by the Milstein family through a family-controlled entity known as Emigrant Bank. Emigrant Bank has operating divisions known as the New York Private Trust Company, which provides trust and fiduciary services and New York Private Bank & Trust, which provides depository and loan services. In addition, Emigrant Bank owns an interest in a number of other financial services companies including Personal Risk Management Solutions, LLC (Insurance), Abacus Finance, LLC (Private Equity Lending and Loan Syndication), and Emigrant Bank Fine Art Finance LLC (Art Finance and Lending) . HPM Partners may enter into referral arrangements with these related companies whereby HPM and a related company will share revenue for referrals. Any referral arrangement, as well as the affiliation of the companies, are fully disclosed to clients in advance and will not result in higher fees to referred clients for advisory or any other service. Clients are advised that the existence of such arrangements and referrals to affiliates are an inherent conflict of interest.

As further discussed in Item 11, HPM Partners may from time to time recommend investments to its clients that are controlled by Emigrant Bank or an affiliate of Emigrant Bank. Although HPM Partners will not receive any compensation for these recommendations, these recommendations may represent a conflict of interest between HPM Partners and the clients because Emigrant Bank may benefit from these recommendations. HPM will only make such recommendations when it believes they are consistent with the client's needs, goals, and objectives, and will fully disclose any relationship between Emigrant Bank and the recommended investment or service provider.

HPM Partners is in the process of licensing as an insurance producer. While HPM Partners will not sell insurance products, as part of its financial planning services, HPM Partners will analyze a client's insurance needs and as necessary recommend that clients purchase certain insurance products as well as make a recommendation to an appropriate provider. As part of its fee credit policy described in Item 5, HPM Partners maintains its insurance license in order to accept a portion of the fees for the sale of an insurance product from recommended providers for its insurance analysis and in turn provide the client with a corresponding fee credit

In addition as part of its fee credit program, HPM Partners may maintain certain contractual relationships with financial institutions (including banks, trust companies, insurance brokers, broker-dealers, etc) including affiliates where HPM Partners will receive from those financial institutions a fee for referring a client to that financial institution. HPM Partners will only refer a client to a financial institution for a service or product, where HPM Partners believes the service or product is in the best interests of the client and the referred financial institution is a best in class provider. Clients are under no obligation to use the recommended provider and may use any provider they chose to carry out HPM Partners' recommendations. For more information on the HPM Partners fee credit policy, see Item 5 above.

HPM Partners is the sole owner of HPM Partners Advisors Alliance LLC, an SEC registered investment adviser. HPM Partners provides HPM Partners Advisors Alliance with office space, personnel and other resources pursuant to a service agreement between the firms.

## **Item 11 – Code of Ethics**

HPM Partners has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws. All supervised persons at HPM Partners must acknowledge the terms of the Code of Ethics annually, or when it is amended. In accordance with Section 204A-1 of the Advisers Act, the Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures. Clients or prospective clients may request a copy of the HPM Partners' Code of Ethics by contacting Robert J. Seco at (212) 850-4284 or [rseco@hmpmpartners.com](mailto:rseco@hmpmpartners.com).

HPM Partners anticipates that it will recommend, in appropriate circumstances and consistent with clients' investment objectives, the purchase or sale of securities in which it, or an affiliate (including individual employees) have a position. HPM Partners, its employees and persons associated with HPM Partners are required to follow HPM Partners' Code of Ethics in these circumstances. The Code of Ethics is designed to prevent the personal securities transactions, activities and interests of the employees of HPM Partners from harming the interests of HPM Partners clients. Accordingly, the Code of Ethics prohibits HPM Partners, its affiliates and its employees from trading in any security that HPM Partners is considering on behalf of clients until HPM Partners either executes the trade or decides not to trade. However, HPM Partners, its affiliates and its employees may trade in the same securities with client accounts on an aggregated basis when consistent with HPM Partners' obligation of best execution. In these circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. HPM Partners will retain records of the trade order and its allocation. Completed orders will be allocated as specified in the initial trade order. HPM Partners will allocate partially filled orders on a pro rata basis. Employee and affiliate trading is continually monitored under the Code of Ethics in order to reasonably ensure compliance.

Various related persons of HPM Partners may be the managing member, a member, the general partner or a limited partner of certain investment related limited partnerships or limited liability companies formed to hold interests in various underlying business endeavors ("Related Investment Opportunities"). While not material to its investment strategy or advisory business, HPM Partners may from time to time recommend to its clients investments in Related Investment Opportunities. In addition, an entity under common control with HPM Partners may provide consulting services for compensation to Related Investment Opportunities or the issuers of other private placement securities that HPM Partners may recommend.

A conflict of interest exists where HPM Partners recommends investments in companies to whom its related persons are a service provider or hold a proprietary interest. HPM Partners will disclose these conflicts prior to any investment by the client in a Related Investment Opportunity or other security where a conflict of interest exists. Investments in Related Investment Opportunities may be limited, and HPM Partners will allocate any limited investment on a pro-rata basis only to those clients who meet any relevant eligibility requirements and for whom the Related Investment Opportunities are appropriate.

## **Item 12 – Brokerage Practices**

### *Factors in Selecting or Recommending a Custodian or Broker-Dealer*

HPM Partners considers the financial strength, reputation, execution, pricing, research and service when selecting or recommending a broker-dealer or custodian for its clients.

### Research and Other Economic Benefits

Consistent with obtaining best execution, HPM Partners may recommend that clients use the brokerage and custody services of certain broker-dealers with which HPM Partners has entered services agreements. Under these services agreements HPM Partners may receive cash credits toward research (including evaluations of securities and portfolio managers) and portfolio management and business support tools (including portfolio management software and trading tools) in exchange for recommending the broker-dealer to clients and provided a certain amount of client assets remain at the broker-dealer for custody services.

HPM Partners will generally use the research and portfolio management tools to service all clients, HPM Partners may use the brokerage commissions and or custody fees paid by one client to pay for research or portfolio management tools that HPM Partners does not use in managing that client's portfolio. These service agreements are a conflict of interest because HPM Partners receives benefits that aid in its business operations without having to pay for them. Accordingly, HPM Partners may have an incentive to recommend to clients a broker-dealer based on that broker-dealers willingness to provide benefits to HPM Partners pursuant to a service agreement, rather than on the client's interest in receiving best trade execution.

At the outset of the client relationship, HPM Partners will describe its services and advise the clients of its recommended broker-dealers/custody providers. However, the client ultimately decides on which broker-dealer/custodian to use.

### Directed Brokerage Permitted

HPM Partners allows clients to direct the use a particular broker-dealer and/or custodian to execute some or all transactions for their accounts. Where the client elects to direct a broker-dealer or custodian, the client will be responsible to negotiate terms and arrangements for the account with that broker-dealer or custodian. HPM Partners will not seek better execution

services or prices from other broker-dealers or custodians. HPM Partners will not be or be able to aggregate client transactions for execution through other broker-dealers or custodians with orders for other accounts it manages.(see Trade Aggregation below). As a result, the client may pay higher commissions or other transaction costs or receive less favorable net prices, on transactions for their accounts.

### *Trade Aggregation*

HPM Partners will generally place trades individually for each client account, unless it decides to purchase or sell the same securities for several clients at approximately the same time. In these situations, HPM Partners will combine orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, HPM Partners will average the price received in the transaction and allocate the securities among clients pro rata to the purchase and sale orders placed for each client on any given day. HPM Partners will not receive any additional compensation because of the aggregation. In the event that HPM Partners determines that a prorated allocation is not appropriate under the circumstances, it may change the allocation based upon relevant factors, which may include: (i) when only a small percentage of the order is executed, HPM Partners may allocate shares to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) HPM Partners may allocate to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a very small allocation in one or more accounts, HPM Partners may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13 – Review of Accounts**

### *Account Reviews*

HPM Partners continuously monitors investment accounts to ensure compliance with clients' stated goals and objectives. HPM Partners investment professionals review all investment accounts on a quarterly basis to assess the past quarter's investment performance, manager recommendations, portfolio risk, opportunities to rebalance, and the overall effectiveness of the



investment program. On an annual basis, the investment committee formally reviews all investment accounts. For those clients to whom HPM Partners provides financial planning and or tax services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of HPM Partners’s investment, financial planning, and/or tax professionals. All clients are encouraged to discuss their needs, goals, and objectives with HPM Partners and to keep HPM Partners informed of any changes thereto. HPM Partners shall contact all clients at least annually to review its previous services and/or recommendations, and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### *Reporting*

The broker-dealer or custodian of the client’s accounts provides the client with transaction confirmation notices and regular summary account statements independent of HPM Partners. Those clients to whom HPM Partners provides investment advisory services will also receive a written report from HPM Partners that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis.

Those clients to whom HPM Partners provides financial planning and/or tax services will receive reports from HPM Partners summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by HPM Partners.

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

From time to time, HPM Partners may receive client referrals from both affiliated and unaffiliated parties. In these circumstances, HPM Partners may pay that referral source a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. HPM Partners will pay any referral fee solely from its fee. HPM Partners will not increase the client’s fee nor impose any additional charge on the client. If the client is introduced to HPM Partner’s by an unaffiliated party, the referral source will provide the client with a copy of HPM Partners Brochure and a copy of a disclosure statement containing the terms and conditions of the referral arrangement including compensation. Any affiliated party of HPM Partners making a referral will disclose the nature of the affiliation to the prospective client at the time of the referral and will provide all prospective clients with a copy of HPM Partners Brochure at the time of the referral.

## **Item 15 – Custody**

HPM Partners does not take possession or physical custody of client assets. However, under Rule 206(4)-2 under the Advisers Act, where HPM Partners provides bill pay services, it is deemed to

have custody of client assets. HPM Partners maintains policy and procedures, including conducting an annual independent surprise audit to verify client assets. All clients will receive at least quarterly statements from the broker dealer, bank or other custodian (“Qualified Custodian”) that holds and maintains the client’s cash and investment assets. HPM Partners urges its clients to carefully review these statements and compare them to the account statements that HPM Partners provides. HPM Partners statements may vary from the statements of the Qualified Custodian based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The statements of the Qualified Custodian are the official record of your account.

## **Item 16 – Investment Discretion**

HPM Partners typically receives discretionary authority from the client to select third-party investment managers and/or select the identity and amount of securities to be bought or sold at the outset of an advisory relationship by means of a limited power of attorney clause contained in the investment management agreement. HPM Partners only exercises its investment discretion consistent with the stated investment objectives for the particular client account.

HPM Partners will work with clients to implement any reasonable investment restrictions on their investment accounts (e.g. social responsibility, environmental friendly, religious based, etc). HPM Partners requires clients to provide all requests for investment restrictions in writing.

## **Item 17 – Voting Client Securities**

HPM Partners may vote proxies on behalf of its clients. When HPM Partners accepts proxy voting responsibility, it will only cast proxy votes in the best interest of its clients. Absent special circumstances, which are fully- described in HPM Partners’ proxy voting policies and procedures, HPM Partners will vote all proxies according to proxy voting guidelines established and described in its proxy voting policies and procedures. Where HPM Partners has accepted proxy voting authority on behalf of a client, the client may direct a vote on a particular issue by providing HPM Partners written instructions of their voting direction, 30 days prior to the date that vote is due. At any time, clients may contact the Robert J. Seco of HPM Partners at (212) 850-4284 or [rseco@hpmpartners.com](mailto:rseco@hpmpartners.com) to request a copy of HPM Partners proxy voting policies and procedures or for information about how HPM Partners voted proxies for that client’s securities. The following is a summary of HPM Partners’ proxy voting policies and procedures:

- HPM Partners has designated an investment analyst that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.

- The investment analyst will generally vote proxies according to the current proxy voting policies and procedures. The proxy voting policies and procedures include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the the investment analyst is to follow the proxy voting policies and procedures as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the investment analyst shall devote an appropriate amount of time and resources to monitor these changes and consult with HPM Partner’s investment committee when necessary.
- HPM Partners may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. If the investment analyst becomes aware of any potential or actual conflict of interest relating to a particular proxy proposal, they will promptly report such conflict to the investment committee. The investment committee will resolve conflicts of interest in various ways depending on their type and materiality of the conflict. The investment committee will take the following steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict:
  - Where the proxy voting guidelines outline HPM Partners’ voting position, either as “for” or “against” such proxy proposal, HPM Partners will vote in accordance with the proxy voting guidelines.
  - Where the proxy voting guidelines outline the HPM Partners voting position to be determined on a “case-by-case” basis for such proxy proposal, or such proposal is not contemplated in the proxy voting guidelines, then the investment committee will select one of the two following methods based on the facts and circumstances of each situation and the requirements of applicable law:
    - Voting the proxy in accordance with the voting recommendation of a non-affiliated third party vendor; or
    - Provide the client with sufficient information regarding the proxy proposal and obtain the client’s consent or direction before voting.

## **Item 18 – Financial Information**

The SEC, in certain circumstances, requires a registered investment adviser to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. HPM Partners has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

