

## **Firm Brochure**

(Part 2A of Form ADV)

### **SHORELINE FINANCIAL ADVISORS, LLC**

**246 GOOSE LANE, SUITE 201**

**GUILFORD, CT 06437**

**(203) 458-6800**

**(203) 458-7965**

**[www.sfadvisors.com](http://www.sfadvisors.com)**

**[kjoy@sfadvisors.com](mailto:kjoy@sfadvisors.com)**

This brochure provides information about the qualifications and business practices of Shoreline Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: (203) 458-6800, or by email at: [kjoy@sfadvisors.com](mailto:kjoy@sfadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Shoreline Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 27, 2013

## **Material Changes**

### **Annual Update**

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

### **Material Changes since the Last Update**

There have been no material changes since the last filing of this Disclosure Brochure.

# Table of Contents

<b>Material Changes.....</b>	<b>i</b>
Annual Update .....	i
Material Changes since the Last Update .....	i
Full Brochure Available .....	i
<b>Advisory Business .....</b>	<b>1</b>
Firm Description.....	1
Principal Owners.....	1
Types of Advisory Services .....	1
Tailored Relationships .....	2
Types of Agreements.....	2
Investment Management Agreement.....	2
Financial and Tax Planning Agreement.....	3
Investment Management .....	4
Termination of Agreement .....	4
<b>Fees and Compensation.....</b>	<b>4</b>
Description.....	4
Fee Billing.....	5
Other Fees.....	5
Expense Ratios.....	5
Past Due Accounts and Termination of Agreement .....	5
<b>Performance-Based Fees .....</b>	<b>6</b>
Sharing of Capital Gains.....	6
<b>Types of Clients.....</b>	<b>6</b>
Description.....	6
Account Minimums .....	6
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>6</b>
Methods of Analysis.....	6
Investment Strategies .....	7
Risk of Loss .....	7
<b>Disciplinary Information .....</b>	<b>8</b>

Legal and Disciplinary.....	8
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>8</b>
Financial Industry Activities .....	8
Affiliations .....	8
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>9</b>
Code of Ethics .....	9
Participation or Interest in Client Transactions .....	9
Personal Trading .....	9
<b>Brokerage Practices.....</b>	<b>9</b>
Selecting Brokerage Firms and Custodians.....	9
Best Execution.....	10
Order Aggregation .....	11
<b>Review of Accounts .....</b>	<b>11</b>
Periodic Reviews .....	11
Review Triggers.....	11
Regular Reports .....	11
<b>Client Referrals and Other Compensation .....</b>	<b>12</b>
Incoming Referrals.....	12
Referrals Out .....	12
Other Compensation.....	12
<b>Custody.....</b>	<b>14</b>
Account Statements.....	14
Performance Reports.....	14
<b>Investment Discretion.....</b>	<b>14</b>
Discretionary Authority for Trading .....	14
<b>Voting Client Securities .....</b>	<b>14</b>
Proxy Votes .....	14
Class Actions .....	15
<b>Financial Information .....</b>	<b>15</b>
Financial Condition .....	15
<b>Business Continuity Plan .....</b>	<b>15</b>
General.....	15

Disasters.....	15
<b>Information Security Program.....</b>	<b>16</b>
Information Security .....	16
Privacy Notice.....	16
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>17</b>
Education and Business Standards .....	17
Professional Certifications .....	17
BRENDAN T. SMITH.....	18
PATRICK M. SMITH, CFA.....	19

# **Advisory Business**

## **Firm Description**

Shoreline Financial Advisors, LLC (the "Firm") was founded in 1996.

The Firm provides investment management services to individuals, trusts, endowments, retirement plans and other legal entities. Advice is provided through consultation with the client and may include: determination of financial objectives, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. In general, the Firm seeks to provide their clients with maximum after-tax, risk adjusted returns over long term time horizons consistent with the clients' investment objectives.

Investment advice is an integral part of financial planning. In addition, the Firm advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

The Firm does not act as a custodian of client assets. The client always maintains asset control. The Firm places trades for clients under a limited power of attorney. The Firm does not, however, obtain discretionary authority with respect to the selection of broker-dealers which execute transactions for the client's account.

Certain of the Firm's Investment Advisory Representatives may sell annuities, stocks, bonds, mutual funds or other commissioned products if such products are appropriate for their clients. The Investment Advisory Representative is paid cash commissions.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

## **Principal Owners**

The Firm is organized as a Connecticut limited liability company. The Firm is owned equally by its two members: Brendan T. Smith and Patrick M. Smith.

## **Types of Advisory Services**

The Firm provides investment supervisory services, also known as asset management services. This means that the Firm provides its clients with regular and continuous investment advice which is particularly tailored to that client's investment needs.

On more than an occasional basis, the Firm furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and retirement planning services that often include 401(k) investment and planning.

The principals of the Firm may also provide educational seminars and workshops to clients and prospects. These seminars and workshops are provided as a courtesy at no cost to attendees.

As of December 31, 2012, the Firm managed a total of \$103,348,105. \$77,142,473 is managed on a discretionary basis and \$26,205,632 is managed on a non-discretionary basis.

These assets include traditional assets under management for which the Firm receives a fee based upon a percentage of assets under management, as well as assets for which the Firm provides clients with continuous investment advice but are not subject to traditional fee arrangements, including 401(k) accounts and commission based accounts and accounts for which the Firm does not receive a fee of any kind. These assets do not include amounts for which the Firm does not service a client on a regular or continuing basis.

### **Tailored Relationships**

The goals and objectives for each client are documented in our performance reporting system. The investment objectives take into account clients' desired risk levels, investment constraints and flexibility. The Firm pursues its clients' investment objectives by strategically investing client accounts in multiple asset classes, including, but not limited to, traditional assets such as equity and fixed income securities. Investment guideline statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

### **Types of Agreements**

The following agreements define the typical client relationships.

#### **Investment Management Agreement**

Most clients choose to have the Firm manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

In general, the Firm seeks to provide strong after-tax, risk adjusted returns over long term time horizons consistent with clients' investment objectives, which investment objectives take into account clients' risk tolerance, investment constraints, tax consequences and liquidity needs. The Firm pursues its clients' investment objectives by strategically investing client accounts in multiple asset classes, including, but not limited to, traditional assets such as equity, fixed income and government securities and mutual funds.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship. The annual Investment Management Agreement fee is based on a percentage of investable assets. The annual fee typically ranges from 0.30% to 1.50% depending upon the market value of the assets under management and the type of investment management services to be rendered. However, the Firm may also charge a minimum fee. The Firm may in its sole discretion waive its fees with respect to any client.

Although the Investment Management Agreement is a continuing agreement, the length of service to the client is at the client's discretion. The client or the Firm may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

### **Financial and Tax Planning Agreement**

The Firm may provide financial or tax planning services. A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee range is \$150 to \$250 per hour and is billed monthly or on a project basis. Fees may also be charged on a fixed fee basis. The exact fees charged for these services will be specified in a client agreement executed before service begins.

Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.



## **Investment Management**

Assets are invested primarily in stocks, bonds, mutual funds and exchange traded funds. Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. No-load mutual funds and exchange-traded funds are usually purchased through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds. The Firm does not receive any compensation, in any form, from fund companies.

Investments may also include warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. government securities, options, interests in partnerships and alternative investment funds.

Initial public offerings (IPOs) are not available through the Firm.

## **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying the Firm in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, the Firm will refund any unearned portion of the advance payment.

The Firm may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, the Firm will refund any unearned portion of the advance payment.

Upon notice of termination, the Firm will await further instructions from the client as to what steps the client requests the Firm to take to liquidate and/or transfer the portfolio and remit the proceeds.

## **Fees and Compensation**

### **Description**

The Firm bases its fees on a percentage of assets under management, hourly charges, and occasionally fixed fees.

Some agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable and may be waived in the sole discretion of the Firm. The Firm, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

**Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that the Firm invoices clients following the three-month billing period. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, stocks and bonds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

The Firm generally recommends that clients establish custody accounts at Charles Schwab & Co., Inc. ("Schwab"). For Firm client accounts maintained in its custody, Schwab 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 Schwab or that settle into Schwab accounts. Schwab's commission rates applicable to the Firm's client accounts were negotiated based on the condition that the Firm's clients maintain a total of at least \$10 million of their assets at Schwab. This commitment benefits the client because the overall commission rates paid is lower than they would be otherwise. In addition to commissions, Schwab charges the client a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the Firm has executed by a different broker-dealer but where the securities bought or where the funds from the securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer.

**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to the Firm.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

**Past Due Accounts and Termination of Agreement**

The Firm reserves the right to stop work on any account that is more than 90 days overdue. In addition, the Firm reserves the right to terminate any financial planning engagement where a client has willfully concealed or has

refused to provide pertinent information about financial situations when necessary and appropriate, in the Firm's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 90 days.

## **Performance-Based Fees**

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

The Firm does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Types of Clients**

### **Description**

The Firm provides investment management services to individuals, trusts, endowments, retirement plans and other legal entities.

Client relationships vary in scope and length of service.

### **Account Minimums**

The Firm does not impose a minimum annual fee or a minimum account size.

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

### **Methods of Analysis**

Security analysis methods used may include fundamental analysis. Fundamental analysis is about using real data to evaluate a security's value. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell).

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that the Firm may use include Morningstar, Value Line, Telemet, Charles Schwab & Company's "SchwabLink" service, and the World Wide Web.

### **Investment Strategies**

The primary investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Guideline form that documents their objectives and desired investment strategy.

The Firm will develop a strategic asset allocation for each client based upon the client's investment objectives.

With an emphasis on personalized client service, the Firm provides financial planning and investment solutions to help clients achieve their financial goals. The resulting strategy and asset allocation are specific to each client's investment objectives.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of

profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

### **Legal and Disciplinary**

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

## **Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

The members of the Firm are licensed as insurance agents and/or broker-dealer registered representatives. Accordingly, they may spend time providing tax and accounting services to clients, selling insurance products or conducting securities related transactions. Such persons spend at least 75% of their time on activities relating to the Firm and 25% of their time on the activities outlined above.

The Firm does not engage in any additional financial industry activities.

### **Affiliations**

Certain of the Firm's Investment Advisory Representatives are also registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. Clients may engage the Investment Advisory Representatives to effect securities transactions through PKS or directly with mutual fund companies. Brokerage commissions may be charged by PKS to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to the Investment Advisory Representative. The Investment Advisory Representative may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers.

A conflict of interest exists to the extent that the Firm recommends the purchase of securities where the Investment Advisory Representative receives commissions or other additional compensation as a result of the Firm's recommendations.

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

### **Code of Ethics**

The employees of the Firm have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

The Firm and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Firm *Compliance Manual*.

### **Personal Trading**

The Chief Compliance Officer of the Firm is Brendan Smith. He reviews all employee trades each quarter. His trades are reviewed by Patrick Smith. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the Firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades or stock trades, the trades do not affect the securities markets.

## **Brokerage Practices**

### **Selecting Brokerage Firms and Custodians**

The Firm does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. The Firm recommends custodians based on the proven integrity and financial responsibility of the Firm and the best execution of orders at reasonable commission rates.

The Firm does not maintain custody of client assets that the Firm manages, although the Firm may be deemed to have custody of client assets if a client gives the Firm the authority to withdraw assets from the client's account. A client's assets must be held at a "qualified custodian," generally a broker-dealer or bank. The Firm recommends that that clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. The Firm is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account

and buy or sell securities when instructed to do so. While the Firm recommends that the client use Schwab as custodian/broker, the client will decide whether to do so and will open an account with Schwab by entering into an account directly with them. The Firm does not open the account for the client, although the Firm may assist the client in doing so. If a client does not wish to place his assets with Schwab, the Firm may not be able to manage the client's account. Not all advisors require the use of a particular broker-dealer or custodian selected by the advisor. Even though a client's account is maintained at Schwab, the Firm can still use other brokers to execute trades for a client's account as described below.

The Firm seeks to recommend a custodian/broker who will hold a client's assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. The Firm considers a wide range of factors, including, among others:

- Capability to execute, clear, and settle trades (buy and sell securities for a client's account)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc)
- Availability of investment research and tools that assist the Firm in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate prices
- Reputation, financial strength and stability
- Prior service to the Firm and other clients
- Availability of other products and services that benefit the Firm.

### **Best Execution**

The Firm reviews the execution of trades at each custodian on a periodic basis. The review is documented in the Firm's *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. The Firm does not receive any portion of the trading fees.

As previously described under **Fees and Compensation – Other Fees**, in addition to commissions, Schwab charges the client a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the Firm has executed by a different broker-dealer but where the securities bought or where the funds from the securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the Firm has Schwab execute

most trades for a client's account. The Firm has determined that having Schwab execute most trades is consistent with the Firm's duty to seek "best execution" of a client's trades.

### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Transactions for each client generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Firm's clients pro rata to the purchase and sale orders placed for each client on any given day. The Firm will not receive any additional compensation as a result of the aggregation of orders.

## **Review of Accounts**

### **Periodic Reviews**

For those clients to whom the Firm provides investment management services, the Firm monitors those portfolios as part of an ongoing process and regular account reviews are conducted at least annually. For those clients to whom the Firm provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of the Firm's Investment Adviser Representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Firm and to keep the Firm informed of any changes to their financial situation. The Firm shall contact ongoing investment advisory 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.

### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

### **Regular Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the Firm provides investment advisory services will also receive a report from the Firm 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.

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

The Firm does not pay any referral fees or any other form of direct or indirect remuneration to other professionals if a prospect or client is referred to the Firm by such professional.

### **Referrals Out**

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

### **Other Compensation**

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like the Firm. They provide the Firm and its clients with access to its institutional brokerage – trading, custody, reporting and related services –many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those help the Firm manage or administer client accounts while others help the Firm manage and grow its business. Schwab's support services generally are available on an unsolicited basis (the Firm does not have to request them) and at no charge to the Firm as long as a total of at least \$10 million of the Firm's clients' assets are maintained in accounts at Schwab. If the Firm's clients collectively have less than \$10 million in assets at Schwab, Schwab may charge the Firm quarterly service fees of \$1,200.

**Services That Benefit the Firm's Clients.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which the Firm might not otherwise have access or that would require a significantly higher minimum initial investment by the Firm's clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

**Services That May Not Directly Benefit Clients.** Schwab also makes available to the Firm other products and services that benefit the Firm but may not directly benefit the client or the client's account. These products and services assist the Firm in managing and administering the clients' accounts. They include investment research, both Schwab's own and that of third parties. The Firm may use this research to service all or a substantial number of the clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of the Firm's fees from client accounts
- Assist with back office functions, recordkeeping and client reporting

**Services That Generally Benefit Only the Firm.** Schwab also offers other services intended to help the Firm manage and further develop its business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Firm. Schwab may also discount or waive its fees for some of these services or pay all or a portion of a third party's fees. Schwab may also provide the Firm with other benefits, such as occasional business entertainment of our personnel.

**The Firm's Interest in Schwab's Services.** The availability of these services from Schwab benefits the Firm because the Firm does not have to produce or purchase them. The Firm doesn't have to pay for Schwab's services so long as the Firm's clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon the Firm committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give the Firm an incentive to recommend that clients maintain accounts with Schwab based on the Firm's interest in receiving Schwab's services that benefit the Firm's business rather than based on a client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. The Firm believes, however, that the selection of Schwab as custodian and broker is in

the best interests of the Firm's clients. The Firm's selection is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only the Firm. The Firm has over \$78 million in client assets under management, and the Firm does not believe that recommending clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

## **Custody**

### **Account Statements**

Schwab maintains actual custody of the client's assets. Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. Clients should carefully review those statements promptly.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by the Firm.

## **Investment Discretion**

### **Discretionary Authority for Trading**

The Firm accepts discretionary authority to manage securities accounts on behalf of clients. The Firm has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, the Firm consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. The Firm does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in client accounts so that the Firm may promptly implement the investment guidelines that the client has approved in writing.

## **Voting Client Securities**

### **Proxy Votes**

The Firm will vote proxies on securities on behalf of clients. The Firm has adopted a general policy to vote proxy proposals, amendments, consents, and resolutions relating to investments held in client accounts in a manner that serves the best interests of the client and the value of their investments.

A copy of our Proxy Voting Policies and Procedures is available upon request.

### **Class Actions**

The Firm does not advise or act for Clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of these securities

## **Financial Information**

### **Financial Condition**

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

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

## **Business Continuity Plan**

### **General**

The Firm has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

In the event of a natural disaster, such as the loss of electrical power at the principal place of business of the Firm, the Firm will use its best efforts to ensure that its clients are timely informed of alternative methods of communicating with members of the Firm or directly with the Custodian. These communication methods may include the internet, email, voicemail, as well as prior written notification to clients.

# Information Security Program

## Information Security

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

## Privacy Notice

The Firm is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that The Firm collects from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. The Firm will use this information to help you meet your personal financial goals.

With your permission, the Firm will disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, the Firm may share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

The Firm maintains a secure office to ensure that your information is not placed at unreasonable risk. The Firm employs a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

The Firm does not provide your personal information to mailing list vendors or solicitors. The Firm requires strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

The Firm will notify you in advance if our privacy policy is expected to change. The Firm is required by law to deliver this *Privacy Notice* to you annually, in writing.

## Brochure Supplement (Part 2B of Form ADV)

### Education and Business Standards

The Firm requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Massachusetts law (Section 203A) requires advisers to disclose information on disciplinary history and the registration of the adviser and its associated persons. This information may be obtained via the U.S. Securities and Exchange Commission public disclosure website at [www.sec.gov/checkoutbrokersandadvisers](http://www.sec.gov/checkoutbrokersandadvisers), by phone at (202) 942-8090 or the Massachusetts Securities Division, One Ashburton Place, 17<sup>th</sup> Floor, Boston, Massachusetts 02108.

### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

**BRENDAN T. SMITH**

Born 1960

Educational Background:

- Boston College
- Bentley College

Business Experience:

- Shoreline Financial Advisors, LLC, Wealth Advisor, 1996 to Present
- Raymond James Financial Services, Wealth Advisor, 5/1999 to 6/2008

Additional Experience:

Current Boards

- Guilford Yacht Club Association – President and past Treasurer 2006-2012
- Guilford Library – Board Member and Treasurer 2009 - present

Past Boards

- Guilford Foundation – Board Member 2001-2009, Treasurer 2005-2009
- Guilford Community Fund – Board Member and Treasurer 1994-1997
- Guilford Cub Scouts – Board Member and Treasurer – 2002-2006
- Guilford Green Committee – Board Member – 2003-2009

Other – Mentor – Guilford Public Schools – 2006-present

Additional Compensation: None

Supervision:

Brendan Smith is supervised by Patrick Smith. Patrick Smith reviews Brendan Smith's work through frequent office interactions as well as remote interactions. Patrick Smith also reviews Brendan Smith's activities through our client relationship management system.

Mr. Patrick Smith's contact information:

203-458-6800

psmith@sfadvisors.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

**PATRICK M. SMITH, CFA**

Born 1962

Educational Background:

- University of Notre Dame
- Boston College

Business Experience:

- Shoreline Financial Advisors, LLC, Wealth Advisor, 1/2001 to Present
- Raymond James Financial Services, Wealth Advisor, 2/2001 to 6/2008

Additional Experience:

Current Boards

- Chestnut Hill Concerts – Board Member 2009-Present

Past Boards

- Our Lady of Mercy School – Board Member 2004-2007
- Guilford Preservation Alliance – Board Member 2005-2010
- St. George Roman Catholic Church – Trustee 2003-2011

Additional Compensation: None

Supervision:

Patrick Smith is supervised by Brendan Smith. Brendan Smith reviews Patrick Smith's work through frequent office interactions as well as remote interactions. Brendan Smith also reviews Patrick Smith's activities through our client relationship management system.

Mr. Brendan Smith's contact information:

203-458-6800

bsmith@sfadvisors.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None