

## Item 1. Cover Page

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

November 5, 2013

#### **Chicago Partners Investment Group LLC**

SEC File No. 801-69500

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This brochure provides information about the qualifications and business practices of Chicago Partners Investment Group LLC. If you have any questions about the contents of this brochure, please contact us at 312-284-6363. 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. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Chicago Partners Investment Group LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This Firm Brochure is our disclosure document prepared according to new regulatory requirements and rules.

As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

On June 30, 2013, Chicago Partners closed The Partner Opportunity Fund I.

On September 1, 2013, Mark and Dan Toledo successfully merged their investment advisory practice into Chicago Partners.

On November 1, 2013 Nicholas Guido joined Chicago Partners as an Associate.

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## Item 4. Advisory Business

### A. Description of Your Advisory Firm

Chicago Partners Investment Group LLC ("CP" and/or "the firm") is an Illinois limited liability company and an independently owned SEC-registered investment advisor. The firm is headquartered in Chicago, IL. The firm was founded in 2009 by James Hagedorn, CFA (Managing Partner) and co-founded by Anthony Halpin, CPA (Partner). Mr. Hagedorn is the majority and principal owner of CP.

### B. Description of Advisory Services Offered

CP offers investment advisory services to individuals and high-net-worth individuals, trusts, not-for-profit plans, endowments, pension and profit sharing plans, charitable organizations, and corporations and other business entities. CP's advisory services may include financial planning, portfolio management, selection of other advisers, and 401(k) plan option review and monitoring.

#### B.1. Portfolio Management Services

CP advises on the assets of its clients based on their selected investment strategy in accordance with their investment objectives, risk tolerance, time horizon, and any reasonable restrictions they impose.

- **Step 1 – Analyze Current Portfolio.** We review the client's current investment portfolio. Through the Wealth Management System (WMS), we can aggregate in current holdings, which include investments that we will manage as well as investments the client plans to keep with other managers. We will analyze this information to help determine areas that may be lacking in diversification as well as areas that hold underperforming or high fee investments. We partner with clients to be their General Manager in making sure all their investments work in concert together.
- **Step 2 – Design Optimal Portfolio.** We design the optimal portfolio for the client based on outside holdings, cash needs and risk profile. Using our analysis of the client's current portfolio as well as discussions and meetings with the client, we will design a portfolio that meets the client's investment goals and objectives. This is a customized process and the portfolio will be designed so that it is unique to the client's specific situation.
- **Step 3 – Formalize Investment Policy.** We formalize the investment relationship with the client. Through a disciplined, ongoing and collaborative approach, we will build with the client a comprehensive strategic asset allocation with asset class targets that we will manage to maintain.
- **Step 4 – Build Portfolio.** We build the client's portfolio. We will provide the client with the necessary documents to open the appropriate investment accounts at one of the custodians that we partner with. We will then facilitate the transfer of assets from other custodians or help the client deposit funds to their accounts. Once the accounts are funded, we will outline the appropriate trading strategy to get the funds working hard for

the client. We will then place the trades on the client's behalf based on our agreed upon trading strategy.

- **Step 5 – Monitor and Review.** We monitor and review the client's portfolio. As soon as the new accounts are open, the client will begin receiving monthly statements from the custodian. The client will also receive a custom quarterly reporting package from us that provides economic updates, asset allocation overview, performance data and relevant tax related information. We also have the ability to produce custom reports on an as-needed basis to help the client stay up to date with their portfolio and to help us continually monitor how the portfolio is performing. We will review the portfolio with the client when desired and will make appropriate changes as needed.

For its discretionary asset management services, CP receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure.

In addition to providing CP with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, CP's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. CP will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

## **B.2. Family Office**

- **Step 1 - Provide Comprehensive Performance Reporting.** We will aggregate all investment accounts. We will provide a consolidated "One Page" investment summary of each account relative to their appropriate benchmark, as well as performance information by asset class and security.
- **Step 2 - Provide Comprehensive Asset Allocation Reporting.** We will create a comprehensive asset allocation statement breaking down an aggregated investment portfolio by asset class relative to strategic targets.
- **Step 3 - Provide Recommendations on Asset Allocation Changes.** Based on information generated in steps 1 & 2 above, We will recommend changes in the asset allocation to make sure the family has real diversification and is positioned to meet their investment objectives. Importantly, we will work with each family member to make sure their investment program complements the comprehensive investment portfolio for the family.
- **Step 4 - Provide Recommendations on Manager Changes.** Based on the information in Steps 1, 2 & 3, we will recommend changes to existing managers/investments and also recommend new managers/investments to help the portfolio maximize after tax returns for a given level of risk.

- **Step 5 - Provide Insights & Ongoing Guidance On How To Drive Down Overall Investment, Reporting & Implementation Fees and Costs.** Fees matter significantly. We help Family Offices dramatically reduce unnecessary fees and expenses through our unique approach to drive down investment manager, investment advisory, trading and tax costs.

### **B.3. Consulting Services**

To the extent requested by the client, CP may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither CP, nor any of its representatives, serves as an attorney or accountant, and no portion of CP's services should be construed as same.

To the extent requested by a client, CP may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.) The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CP.

### **B.4. 401(k) Savings & Retirement Plan Services**

#### **B.4.a. Participants**

CP provides investment education and advice to eligible employees and participants of 401(k)/profit sharing plans. The firm provides advice on investment choices and strategies through meetings conducted once annually with each of the participant groups.

#### **B.4.b. Plan**

CP also provides research and analysis of the investment fund options available to participants and may suggest additional and/or replacement funds deemed appropriate by CP based on the plan's investment policy statement

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account.

## **D. Wrap Fee Programs**

CP does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

## **E. Client Assets Under Management**

CP manages money on both a discretionary and non-discretionary basis. As of November 14, 2013 CP managed approximately \$383,062,769 on a discretionary basis and \$467,612,505 on a non-discretionary basis.

## Item 5. Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

CP offers investment advisory services to clients for a percentage of assets under management. This fee schedule is based on the total assets of a relationship. It is a declining basis point fee schedule, so the basis point fee charged declines as the asset levels reach certain breakpoints.

<u>Assets Under Management</u>	<u>Annual Base Fee Additional Annual Fee (%)</u>
0 - \$1,000,000	\$0 plus .90% on all assets up to \$1,000,000
\$1,000,001 - \$2,000,000	\$9,000 plus .60% on assets over \$1,000,001
\$2,000,001 - \$3,000,000	\$15,000 plus .50% on assets over \$2,000,001
\$3,000,001 - \$5,000,000	\$20,000 plus .40% on assets over \$3,000,001
\$5,000,001 - \$10,000,000	\$28,000 plus .30% on assets over \$5,000,001
\$10,000,001 - \$20,000,000	\$43,000 plus .20% on assets over \$10,000,001
\$20,000,001 - \$30,000,000	\$63,000 plus .10% on assets over \$20,000,001
Over \$30,000,001	\$73,000 plus TBD on all assets over \$30,000,001

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. CP may modify the fee at any time upon written notification to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Asset-based fees are always subject to the investment advisory agreement between the client and CP. Fees are generally paid quarterly in advance, although CP does have Clients that are billed quarterly in arrears. Fees may be negotiable for accounts with unusual investment management requirements. Fees are commonly negotiable for larger accounts. The majority of our Clients have their fees deducted from their portfolio although we have a few Clients that send us a check to pay their fees. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Adjustments for significant contributions to a client's portfolio are prorated for the month/quarter in which the change occurs; no adjustments will be made for withdrawals unless the client notifies that a withdrawal will be made.

Either party can terminate the agreement at any time upon written notice. Upon termination of any account, any unearned, prepaid fees will be refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.



## **A.2. Consulting Fees**

Consulting services will be charged a fixed fee mutually agreed upon by the client and CP prior to signing an advisory agreement. Invoices will be mailed out on a periodic basis reflecting completed work performed. Clients seeking to terminate this service must do so in writing.

## **A.3. 401(k) Savings & Retirement Plan Service**

### **B.4.a. Participants - Negotiable**

### **B.4.b. Plan - Negotiable**

## **B. Client Payment of Fees**

CP will not take custody or possession of client funds or securities at any time except to the extent that CP may deduct fees directly from the client's account. CP will deduct fees directly from the client's account provided that (i) the client provides written authorization, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

In certain instances subject to approval by CP, clients may elect to be billed for services rendered. In such cases the fees will be billed quarterly. In the event of termination any unearned, prepaid fees will be immediately due and payable and any earned, unpaid fees will be immediately due and payable.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **C. Additional Client Fees Charged**

The fees charged by CP do not include fees charged by any mutual fund or separate account manager selected by the client. Similarly, the fees charged by CP do not include any fees charged by a broker-dealer or custodian retained by a client to implement CP's advice or to otherwise hold the client's portfolio securities. The management fees for investment managers are generally disclosed in each investment manager's disclosure brochure and brochure supplement or, in the case of a mutual fund, the fund's prospectus. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

See Item 12 of this Brochure for a more detailed discussion on brokerage arrangements.

## **D. Prepayment of Client Fees**

CP generally requires the prepayment of its asset-based investment advisory fees on a quarterly basis. If the client terminates during the quarter, CP will promptly refund any prepaid, unearned

fees. CP's fees will either be paid directly by the client or disbursed to CP by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The qualified custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

In certain instances subject to approval by CP, clients may elect to be billed for services rendered. In such cases the fees will be billed quarterly. In the event of termination any unearned, prepaid fees will be immediately due and payable and any earned, unpaid fees will be immediately due and payable.

CP or the client may terminate the agreement for services within five days of the date of acceptance without penalty to the client. After the five-day period, either party, upon written notice to the other, may terminate the agreement. In the event of termination, CP's fees will be prorated for the quarter in which the cancellation notice was given, and any prepaid, unearned fees will be refunded to the client.

## **E. External Compensation for the Sale of Securities to Clients**

Although CP is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products, the firm or its affiliates may be paid management fees and performance-based fees. Such performance-based fees create an economic incentive for the investment manager to take additional risks in the management of a client portfolio that may be in conflict with the client's current investment objectives and tolerance for risk. Please refer to Item 6 for more information on performance-based fees.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

CP does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7. Types of Clients

CP offers investment advisory services to individuals and high-net-worth individuals, trusts, not-for-profit plans, endowments, pension and profit sharing plans, charitable organizations, and corporations and other business entities.

The minimum account size for new clients is \$1 million. We waive the account size minimum if circumstances warrant it.

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

### **A. Methods of Analysis and Investment Strategies**

**Investing in securities, especially common stocks, involves significant risk of loss and Clients should be prepared to bear this loss.**

CP advocates a long-term investment approach is the best strategy for its clients. Long term is defined by holding securities for at least one year. There will be some conditions when CP will advise its clients to hold securities for less than one year. CP believes the strategy of being globally diversified is critical to achieving long-term success in the capital markets. There is no guarantee this strategy will work in the future.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by CP) will be profitable or equal any specific performance level(s).

CP primarily uses fundamental analysis when evaluating investments. The main sources of information are research materials prepared by others and research prepared by CP. CP uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

CP and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

CP may employ independent third parties to work in conjunction with its executive management team to provide input and guidance for the investment direction communicated by the firm. Such third-party providers will function as a de facto investment committee. In addition, CP may utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds and Exchange-Traded Funds (“ETFs”), Individual and Fixed-Income Securities, Separate Account Managers**

CP may recommend no-load and load-waived mutual funds and individual securities (including fixed income instruments). Such management styles will include, among others, large-cap, mid-cap, and small-cap value, growth, and core; international and emerging markets; and alternative investments. CP may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client’s portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that will be taken into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

CP has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds and managers
- perform billing and certain other administrative tasks

CP may utilize additional independent third parties to assist in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

CP reviews certain quantitative and qualitative criteria related to mutual funds and managers to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager’s contribution to the investment return (e.g., manager’s alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager’s fee structure
- the relevant portfolio manager’s tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager’s consistency of investment style; and employee turnover and efficiency and capacity. CP will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client’s determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by CP on a quarterly basis or such other interval as mutually agreed upon by the client and CP. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager identified by CP (both of which are negative factors in implementing an asset allocation structure). Based on its review, CP will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

CP may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. CP will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

CP will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest.

## **A.2. Material Risks of Investment Instruments**

CP will frequently purchase shares of open-end mutual funds and ETFs. Many of these investments can be purchased directly by clients without utilizing the services of an advisor. Registered investment companies charge their own management fees and expenses. These fees and expenses are detailed in each respective mutual fund's prospectus and are in addition to any fees charged by CP.

In addition to purchasing shares of mutual funds and ETFs, CP may affect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the

company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds can be tax inefficient in certain circumstances, which may result in clients paying capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.c. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERS<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.



#### **A.2.d. Fixed Income Securities, Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.e. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

### **B. Investment Strategy and Method of Analysis Material Risks**

#### **B.1. Margin Leverage**

Although CP, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in limited circumstances, CP will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included

in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although CP, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9. Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither CP nor its investment advisor representatives are either registered as broker-dealers or registered representatives of broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither CP nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

CP has nothing to report for this item.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

CP does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, CP has adopted policies and procedures designed to detect and prevent insider trading. In addition, CP has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of CP's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of CP. CP will send clients a copy of its Code of Ethics upon written request.

CP has policies and procedures in place to ensure that the interests of its clients are held in preference over those of CP, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CP does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, CP does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

CP, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CP specifically prohibits. CP has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow CP's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CP, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other CP clients. CP will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of CP to place the client's interests above those of CP and its employees.

## Item 12. Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

CP considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

**Schwab** CP may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although CP may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. CP is independently owned and operated and not affiliated with Schwab. For CP 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.

**TD Ameritrade** The firm participates in the institutional customer program of TD Ameritrade Institutional, division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA, and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the firm's participation in the program and the investment advice it gives to its clients, although the firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Although the firm may recommend that clients establish accounts at TD Ameritrade, it is the client's decision to custody assets with TD Ameritrade. The firm is independently owned and operated and not affiliated with TD Ameritrade. For the firm client accounts maintained in its custody, TD Ameritrade 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 TD Ameritrade or that settle into TD Ameritrade accounts.

The firm also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. TD Ameritrade provides the Additional Services to the firm in its sole discretion and at its own expense, and the firm does not pay any fees to TD Ameritrade for the Additional Services. The firm and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

The firm's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to the firm, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, the firm's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with the firm, in its sole discretion, provided certain conditions are met.

Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, the firm may have an incentive to recommend to its clients that the assets under management by the firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. the firm's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

In certain instances and subject to approval by CP, CP will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by CP will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### **A.1.a. Soft Dollar Arrangements**

CP does not utilize soft dollar arrangements. CP does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.b. Schwab Institutional Trading and Custody Services**

Schwab provides CP with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a certain minimum amount of the adviser's clients' assets are maintained in accounts at Schwab Institutional. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

#### **A.1.c. Other Products and Services**

The custodian also makes available to CP other products and services that benefit CP but may not directly benefit its clients' accounts. These benefits may include national, regional, or CP-specific educational events organized and/or sponsored by the custodian. Other potential benefits may include occasional business entertainment of personnel of CP by the custodian's personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Many of these products and services may be used to service all or some substantial number of CP's accounts, including accounts not maintained at the custodian. Other of these products and services assist CP in managing and administering clients' accounts. These include software and other technology (and related technological training) that:



- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing information, and other market data
- facilitate payment of CP's fees from its clients' accounts
- assist with back-office training and support functions, recordkeeping, and client reporting

The custodian also offers other services intended to help CP manage and further develop its business enterprise. These services may include

- professional compliance, legal, and business consulting
- publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing

While, as a fiduciary, CP endeavors to act in its clients' best interests, CP's recommendation that clients maintain their assets in accounts at the custodian may be based in part on the benefit to CP of the availability of some of the foregoing products and services and other arrangements, and not solely on the nature, cost, or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.d. Independent Third Parties**

The custodian may make available, arrange, and/or pay for the types of services rendered to CP by independent third parties. The custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to CP.

#### **A.1.e. Additional Compensation Received from Custodians**

CP participates in institutional customer programs sponsored by broker-dealers or custodians. CP may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between CP's participation in such programs and the investment advice it gives to its clients, although CP receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving CP participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts

- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to CP by third-party vendors

The custodian may also pay for business consulting and professional services received by CP's related persons, and may pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses for CP's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit CP but may not benefit its client accounts. These products or services may assist CP in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help CP manage and further develop its business enterprise. The benefits received by CP or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

CP also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require CP to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, CP will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by CP's related persons, and reimbursement of expenses (including travel, lodging, meals, and entertainment expenses for CP's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, CP endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CP or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CP's recommendation of broker-dealers such as Schwab or TD Ameritrade for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

CP does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. CP Recommendations**

CP typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct CP to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for

their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage CP derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. CP loses the ability to aggregate trades with other CP advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

CP, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of securities, and the executing broker. CP recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. CP will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, CP seeks to ensure that clients receive best execution with respect to the client's transactions by blocking client trades to ensure consistent execution across multiple client accounts when applicable. To the best of CP's knowledge, these custodians provide high-quality execution, and CP's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, CP believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since CP may be managing accounts with similar investment objectives, CP may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by CP in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

CP's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. CP will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

CP's advice to certain clients and entities and the action of CP for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines, and circumstances. Thus, any action of CP with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of CP to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if CP believes that a larger size block trade would lead to best overall price for the security being transacted.

## **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

CP acts in accordance with its duty to seek best price and execution and will not continue any arrangements if CP determines that such arrangements are no longer in the best interest of its clients.

## **Item 13. Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Individual accounts are reviewed frequently (at least quarterly) by the Senior Investment Advisor assigned to the account.

### **B. Review of Client Accounts on Non-Periodic Basis**

CP's Senior Investment Advisors may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how CP formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Clients receive quarterly portfolio appraisals that show performance by account and by security. Clients may, by specific request, receive reports more frequently. Accounts are reviewed by the Senior Investment Advisor assigned to the account.

The client's independent custodian also provides regular account statements directly to the client. The custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by CP.

## Item 14. Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

#### A.1. TD Ameritrade

We may receive an economic benefit from external sources in the form of the support products and services they make available to us and other independent investment advisors. As disclosed under Item 12, our firm participates in the TD Ameritrade Institutional customer program and we may recommend TD Ameritrade Institutional to our clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give our clients, although our firm receives economic benefit through its participation in the program that are typically not available to “retail investors.” These benefits include the following products and services (provided either without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research related products and tools
- Consulting services
- Access to a trading desk serving our clients
- Access to block trading (which provides our ability to aggregate securities transactions for execution and then allocate the appropriate shares to our client’s accounts)
- The ability to have advisory fees deducted directly from our client’s accounts per our written agreement
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees, and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third-party vendors

Some of the noted products and services made available by TD Ameritrade Institutional may benefit our firm but may not directly benefit a client account, and certain research and other previously referenced services may qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934.

The availability of these services from TD Ameritrade Institutional benefits our firm because it does not have to produce or purchase them as long as our clients maintain assets in accounts at TD Ameritrade Institutional. Therefore, there is an appearance of a conflict of interest since our firm may have an incentive to select or recommend TD Ameritrade Institutional as its custodian based on our firm’s interest in receiving these benefits rather than on our clients’ interest in receiving favorable trade execution.

As part of our fiduciary duty, CP endeavors at all times to put the interests of our clients first. We believe it is important to mention that the benefit received by our firm through participation in a

custodian's program does not depend on the amount of brokerage transactions directed to TD Ameritrade Institutional, and our selection of TD Ameritrade Institutional as custodian is in the best interests of our clients since the selection is primarily supported by the scope, quality, and price of their services, not just those services that benefit only our firm.

## **B. Advisory Firm Payments for Client Referrals**

CP may enter into agreements with solicitors who will refer prospective advisory clients to CP in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with CP. The solicitor must provide the client with a disclosure document describing the fees it receives from CP, whether those fees represent an increase in fees that CP would otherwise charge the client, and whether an affiliation exists between CP and the solicitor.

## Item 15. Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by CP to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.



## **Item 16. Investment Discretion**

Clients may grant a limited power of attorney to CP with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, CP will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17. Voting Client Securities

CP does not take discretion with respect to voting proxies on behalf of its clients. CP will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of CP supervised and/or managed assets. In no event will CP take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, CP will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. CP has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. CP also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, CP has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where CP receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18. Financial Disclosures**

### **A. Balance Sheet**

CP does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

CP does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.