

**DISCLOSURE BROCHURE**  
PREPARED IN COMPLIANCE WITH  
THE INVESTMENT ADVISERS ACT OF 1940 RULE 204-3(A)



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This brochure provides information about the qualifications and business practices of Spruce Hill Capital, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 203-689-5742. 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 Spruce Hill Capital, LLC (CRD #155402 & SEC 801-71931) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2: Material Changes**

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### **Annual Update**

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

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

Since the last update on April 5, 2013, a fee schedule for AdvisorDirect accounts has been removed as well as the firm's participation in the TD Ameritrade's Equity Management Program.

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### **Full Brochure Available**

This brochure is being delivered in full.

## Item 3: Table of Contents

### Form ADV – Part 2A – Firm Brochure

#### Item 1: Cover Page

#### Item 2: Material Changes..... ii

Annual Update.....ii

Material Changes since the Last Update.....ii

Full Brochure Available.....ii

#### Item 3: Table of Contents .....iii

#### Item 4: Advisory Business ..... 1

Firm Description ..... 1

Types of Advisory Services ..... 1

Client Tailored Services and Client Imposed Restrictions.....3

Wrap Fee Programs .....3

Client Assets under Management.....3

#### Item 5: Fees and Compensation..... 3

Method of Compensation and Fee Schedule.....3

Client Payment of Fees .....5

Additional Client Fees Charged .....5

Prepayment of Client Fees .....5

External Compensation for the Sale of Securities to Clients .....5

#### Item 6: Performance-Based Fees and Side-by-Side Management ..... 5

Sharing of Capital Gains .....5

#### Item 7: Types of Clients..... 6

Description .....6

Account Minimums .....6

#### Item 8: Methods of Analysis, Investment Strategies and Risk of Loss..... 6

Methods of Analysis.....6

Investment Strategy.....6

Security Specific Material Risks .....6

#### Item 9: Disciplinary Information ..... 7

Criminal or Civil Actions .....7

Administrative Enforcement Proceedings .....7

Self Regulatory Organization Enforcement Proceedings .....7

<b>Item 10: Other Financial Industry Activities and Affiliations .....</b>	<b>8</b>
Broker-Dealer or Representative Registration .....	8
Futures or Commodity Registration .....	8
Material Relationships Maintained by this Advisory Business and Conflicts of Interest .....	8
Recommendations or Selections of Other Investment Advisors and Conflicts of Interest .....	8
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>8</b>
Code of Ethics Description .....	8
Investment Recommendations Involving a Material Financial Interest and Conflict of Interest....	9
Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest....	9
Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest .....	9
<b>Item 12: Brokerage Practices .....</b>	<b>9</b>
Factors Used to Select Broker-Dealers for Client Transactions .....	9
Aggregating Securities Transactions for Client Accounts .....	10
<b>Item 13: Review of Accounts .....</b>	<b>11</b>
Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved .....	11
Review of Client Accounts on Non-Periodic Basis .....	11
Content of Client Provided Reports and Frequency .....	11
<b>Item 14: Client Referrals and Other Compensation.....</b>	<b>11</b>
Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	11
Advisory Firm Payments for Client Referrals .....	12
<b>Item 15: Custody .....</b>	<b>13</b>
Account Statements .....	13
<b>Item 16: Investment Discretion .....</b>	<b>14</b>
Discretionary Authority for Trading.....	14
<b>Item 17: Voting Client Securities .....</b>	<b>14</b>
Proxy Votes.....	14
<b>Item 18: Financial Information.....</b>	<b>14</b>
Balance Sheet.....	14
Financial Conditions Reasonably Likely to Impair Advisory Firm’s Ability to Meet Commitments to Clients .....	14
Bankruptcy Petitions during the Past Ten Years.....	14

**Brochure Supplement (Part 2B of Form ADV)..... 16**

Principal Executive Officer.....	16
Peter J. Nagle, CFP® .....	16
Item 2 Educational Background and Business Experience .....	16
Professional Certifications.....	16
Item 3 Disciplinary Information.....	16
Item 4 Other Business Activities .....	17
Item 5 Additional Compensation .....	17
Item 6 Supervision .....	17

**Brochure Supplement (Part 2B of Form ADV)..... 19**

Principal Executive Officer.....	19
Vincent M. Esposito.....	19
Item 2 Educational Background and Business Experience .....	19
Item 3 Disciplinary Information.....	19
Item 4 Other Business Activities .....	19
Item 5 Additional Compensation .....	19
Item 6 Supervision .....	19

## **Item 4: Advisory Business**

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### **Firm Description**

Spruce Hill Capital, LLC, a Connecticut limited liability company ("SHC"), was previously doing business under the as Peter J. Nagle Financial Management, LLC, which was formed October 19, 2010. Peter J. Nagle is the sole owner of SHC.

SHC provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, endowments, retirement plans and other legal entities. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

SHC is a fee based financial planning and investment management firm. SHC does not sell annuities and insurance products, but certain SHC's investment adviser representatives may be licensed insurance agents and receive a separate yet typical commission for the sale of insurance products.

SHC does not act as a custodian of client assets.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement, risk analysis or similar document. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

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.

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### **Types of Advisory Services**

SHC provides investment supervisory services, also known as asset management services and furnishes financial planning and investment advice through consultations.

#### **ASSET MANAGEMENT**

SHC offers discretionary direct asset management services to advisory clients. SHC will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The client will authorize SHC discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

#### **ERISA PLAN SERVICES**

SHC may also offer non-discretionary advisory services to qualified employee plans such as 401k plans, Taft-Hartley plans, 457 plans, 403b plans, SIMPLE IRA plans etc. offered through employers. Such plans are generally self-directed by the employee. SHC offers the following services to the Plan and the Plan participants:

1. Fiduciary Services are:

- a. Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options.
- b. Assist the Client with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- c. Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- d. Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- e. Meet with Client on a periodic basis to discuss the reports and the investment recommendations.
- f. Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c)(5).

2. Non-fiduciary Services are:

- a. Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands the Adviser's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, the Adviser is not providing fiduciary advice as defined by ERISA to the Plan participants. Adviser will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- b. Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

Adviser may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Adviser and Client.

3. The Adviser has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- a. Employer securities;
- b. Real estate (except for real estate funds or publicly traded REITs);
- c. Stock brokerage accounts or mutual fund windows;

- d. Participant loans;
- e. Non-publicly traded partnership interests;
- f. Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- g. Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to the Adviser under this Agreement.

#### **FINANCIAL PLANNING and CONSULTING SERVICES**

If financial planning services are applicable, the client will compensate SHC on an hourly fee basis as described in detail under “Fees and Compensation” section of this brochure. Services include but are not limited to a thorough review of all applicable topics including retirement planning, estate planning, educational planning, elder planning, tax planning, long-term care planning, disability planning, budgeting and business planning. If a conflict of interest exists between the interests of the investment advisor and the interests of the client, the client is under no obligation to act upon the investment advisor’s recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through SHC. Financial plans will be completed and delivered inside of ninety (90) days.

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#### **Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies 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 written client consent.

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#### **Wrap Fee Programs**

SHC does not sponsor any wrap fee programs.

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#### **Client Assets under Management**

As of September 17, 2013, SHC has approximately \$140 million of client assets under management on a discretionary basis and \$25 million on a non-discretionary basis for total assets under management of approximately \$165 million.

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

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#### **Method of Compensation and Fee Schedule**

SHC bases its fees on a percentage of assets under management, hourly charges, and negotiable fees as mutually agreed by SHC and such clients depending upon factors such as the services selected by the client, complexity, historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition and resources appropriate to effect those services.



## ASSET MANAGEMENT

SHC offers discretionary direct asset management services to advisory clients. The fee is based upon aggregate value of all accounts under the management of SHC.

Household Account Value	Total Maximum Annual Fee	Total Maximum Quarterly Fee
\$50,000 - \$249,999	1.60%	.4000%
\$250,000 - \$499,999	1.40%	.3500%
\$500,000 - \$999,999	1.30%	.3250%
\$1,000,000 - \$4,999,999	1.15%	.2875%
Over \$5,000,000	0.90%	.2250%

The annual fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in advance based on the amount of assets managed as of the last business day of the quarter. If an account is opened in any partial advisory fee cycle, the entire account is withdrawn from management, the advisory fee will be pro-rated on the number of days the assets are to be under management during the particular advisory fee period. Quarterly advisory fees deducted from the clients' account by the custodian. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement for a full refund. Clients may terminate advisory services with third (30) days written notice. The client will be entitled to a pro rata refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees.

There may be instances when investments have to be liquidated or certain shares redeemed in order to terminate the account or generate sufficient cash to cover compensation due to SHC. Client authorizes SHC to affect such redemptions and/or liquidations as its compensation becomes due. If and when such liquidation or redemption becomes necessary, client is responsible for any attendant transaction costs including, without limitation, service fees.

In the event there is insufficient cash available in the money market fund in the account to effect payment of compensation to SHC, SHC will generally direct the liquidation/redemption of securities by first redeeming, as necessary and if possible, securities within a client's account for which no transaction fee will be generated and additional redemption necessary to effect full payment of compensation due to SHC will be made within the discretion of SHC. Clients are advised that when securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications. The client is encouraged to review all such potential tax implications with his/her counsel, accountants and/or other advisers.

## FINANCIAL PLANNING and CONSULTING SERVICES

Financial planning services are available on an hourly fee basis of \$200 per hour. Prior to the planning process the client will be provided an estimated plan fee. Financial Planning Services fees are payable as follows: 1/3 of the estimated fee is payable upon engagement with the balance payable upon completion of the financial plan and/or consulting services,

unless otherwise agreed by the Client and SHC in writing. Services are completed and delivered inside of ninety (90) days. Client may cancel within five (5) days of signing Agreement for a full refund. If the client cancels after five (5) days, any unearned fees will be refunded to the client, or any unpaid earned fees will be due to SHC.

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**Client Payment of Fees**

Investment management fees are billed quarterly in advance, meaning we bill you before the three-month period has started. 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 1/3 of the fee in advance with the balance due upon plan delivery.

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**Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities and exchange-traded funds. These charges may include mutual fund transactions fees, postage and handling and miscellaneous fees (fee levied to recover costs associated with fees assessed by self-regulatory organizations). 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.

SHC, 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.).

For more details on the brokerage practices, see Item 12 of this brochure.

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**Prepayment of Client Fees**

Investment management fees are billed quarterly in advance.

Financial Planning Services fees are payable as follows: 1/3 of the estimated fee is payable upon engagement with the balance payable upon completion of the financial plan and/or consulting services, unless otherwise agreed by the Client and SHC in writing.

If the client cancels after five (5) days, any unearned fees will be refunded to the client, or any unpaid earned fees will be due to SHC.

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**External Compensation for the Sale of Securities to Clients**

SHC does not receive any external compensation for the sale of securities to clients, nor do any of the investment advisor representatives of SHC.

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**Item 6: Performance-Based Fees and Side-by-Side Management**

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**Sharing of Capital Gains**

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

SHC does not use a performance-based fee structure because of the 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.

## Item 7: Types of Clients

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### Description

SHC generally provides investment advice to individuals, pension and profit sharing plans, trusts, endowments, retirement plans and other legal entities. Client relationships vary in scope and length of service.

### Account Minimums

Generally, clients with assets of \$250,000 or more to manage may choose to have SHC manage their assets on a discretionary basis. SHC reserves the right to waive or lower the minimum at its sole discretion.

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

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### Methods of Analysis

SHC utilizes technical analysis. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns.

Technical analysis involves evaluating securities based on past prices and volume.

The main sources of information include financial newspapers and magazines, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

### Investment Strategy

The 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 Policy Statement or Risk Tolerance that documents their objectives and their desired investment strategy.

Client portfolios are generally allocated among six major asset categories based upon a particular client profile and the relative strength of the asset class. These asset classes are: domestic equities, international equities, commodities, bonds, foreign currency and cash. SHC then engages in a technical analysis to determine the timing of buy and sell decisions.

### Security Specific Material Risks

All investment programs have certain risks that are borne by the investor. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with SHC:

- *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 buy more than 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.
- *Securities Generally:* Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.
- *ETF Investment:* Clients investing in ETFs should be aware that a reasonable amount of time will be needed to purchase, redeem and/or transfer assets, and SHC is not liable for losses due to market value fluctuations during the time taken for these transactions. ETFs are registered investment companies that trade on an exchange like a stock. Trading prices may not reflect the actual net asset value of the underlying securities. ETFs can entail market, sector and industry risks similar to direct stock ownership.

## Item 9: Disciplinary Information

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### **Criminal or Civil Actions**

The firm and its management have not been involved in any criminal or civil action.

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### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in administrative enforcement proceedings.

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### **Self Regulatory Organization Enforcement Proceedings**

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

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

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

Representatives of SHC may also be registered representatives of a broker-dealer.

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### **Futures or Commodity Registration**

Neither SHC nor its employees are registered or has an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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

Certain investment adviser representatives of SHC, in their individual capacities, may be licensed insurance agents with various insurance companies, and in such capacity(ies), may recommend the purchase of certain insurance products. A conflict of interest exists to the extent that SHC recommends the purchase of insurance products where its investment adviser representatives receive insurance commissions or other additional compensation.

A conflict of interest may arise where the recommendations or strategies developed by SHC, or the selection by client, of a particular investment or service over other competing products or services may result in client paying more than if client purchased the investment or service directly and may result in additional compensation being paid to SHC. SHC has instructed all its investment adviser representatives to disclose any compensation to be paid to SHC and the investment adviser representatives, and inform the client of his/her freedom to purchase investments from other provider(s).

SHC prohibits any employees from receiving any compensation in connection with such employee's position with SHC except as permitted under applicable SEC, FINRA and state guidelines, including related disclosure requirements.

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### **Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

SHC does not utilize the services of Third Party Money Managers to manage client accounts.

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

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### **Code of Ethics Description**

The employees of SHC have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of SHC employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of SHC. The Code reflects SHC and its supervised persons' responsibility to act in the best interest of their client.

One area the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

SHC's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of SHC may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

SHC's Code is based on the guiding principle that the interests of the client are our top priority. SHC's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

SHC and its employees do not recommend to clients securities in which we have a material financial interest.

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

SHC employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide SHC with copies of their brokerage statements.

The Chief Compliance Officer of SHC is Vincent M. Esposito. He reviews all employee trades quarterly. 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 over employee transactions.

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

SHC does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide SHC with copies of their brokerage statements.

The Chief Compliance Officer of SHC is Vincent M. Esposito. He reviews all employee trades each quarter. 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 over employee transactions.

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**Item 12: Brokerage Practices**

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**Factors Used to Select Broker-Dealers for Client Transactions**

SHC may recommend the use of a particular broker-dealer such as TD AMERITRADE Institutional, a Division of TD AMERITRADE, Inc., member FINRA/SIPC/NFA or may utilize a

broker-dealer of the client's choosing. SHC will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. SHC relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by SHC.

SHC participates in the TD Ameritrade Institutional program. TD Ameritrade, Inc. ("TD Ameritrade") is an independent SEC-registered broker-dealer and is not affiliated with SHC. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14)

- *Directed Brokerage*

In circumstances where a client directs SHC to use a certain broker-dealer, SHC still has a fiduciary duty to its clients. The following may apply with Directed Brokerage: SHC's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients, and conflicts of interest arising from brokerage firm referrals.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

- *Soft Dollar Arrangements*

SHC utilizes the services of custodial broker dealers. Economic benefits are received by SHC which would not be received if SHC did not give investment advice to clients. These benefits include: A dedicated trading desk, a dedicated service group and an account services manager dedicated to SHC's accounts, ability to conduct "block" client trades, electronic download of trades, balances and positions, duplicate and batched client statements, and the ability to have advisory fees directly deducted from client accounts.

A conflict of interest exists when the firm receives soft dollars. This conflict is mitigated by the fact that the Investment Advisor Representatives have a fiduciary responsibility to act in the best interest of his clients and the services received are beneficial to all clients.

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

Transactions for each client generally will be effected independently, unless SHC decides to purchase or sell the same securities for several clients at approximately the same time. From time to time, SHC may (but is not obligated to) combine or "batch" such orders to obtain best

execution or to allocate equitably among SHC's clients differences in prices 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 SHC's clients pro rata to the purchase and sale orders placed for each client on any given day. SHC will not receive any additional compensation as a result of the aggregation of orders.

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

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

Account reviews are performed quarterly by Investment Advisor Representatives of SHC. Account reviews are performed more frequently when market conditions dictate. Financial Plans are considered complete when recommendations are delivered to the client and a review is done only upon request of client.

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

Additional reviews may also be triggered upon a client's request. For instance, the client may contact SHC, from time to time, for an account review, when and if:

- (i) any changes have occurred in the client's financial situation or investment objectives that necessitate a change in either the asset allocation or specific funds held for that client; or
- (ii) the client wishes to impose any restrictions on the management of the account; or
- (iii) the client wishes to discuss any and all aspects of client's account or relationship with SHC.

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### **Content of Client Provided Reports and Frequency**

Clients receive a monthly or quarterly statement furnished by their custodian. On a quarterly basis, SHC will also provide a portfolio review containing much the same information, along with performance data. The quarterly performance review typically includes holdings, cost data, current market values and performance data. Tax data reporting to the client, i.e., annual Form 1099s, are generally the responsibility of the client-designated custodian. Upon specific request and authorization from clients, SHC may provide gain/loss tax reporting on the portfolio to the client and / or the client's tax specialist(s), CPA(s), attorney(s) or other professionals each year, upon request.

The client is urged to compare the information included in this report sent by SHC against the account information set forth in the statements sent by the qualified custodian.

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

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### **Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

As disclosed under Item 12. above, SHC participates in TD Ameritrade's institutional customer program and SHC may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between SHC's participation in the program and the investment advice it gives to its Clients, although SHC receives economic benefits through its participation in the program that are typically not available to TD Ameritrade



retail investors. These benefits 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 SHC 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by SHC's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit SHC but may not benefit its Client accounts. These products or services may assist SHC in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help SHC manage and further develop its business enterprise. The benefits received by SHC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, SHC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SHC or its related persons in and of itself creates a conflict of interest and may indirectly influence SHC's choice of TD Ameritrade for custody and brokerage services.

SHC 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. Specifically, the Additional Services include Markman Capital Insight, Morningstar, Ned Davis Research, and TTS Wong Advisory.

TD Ameritrade provides the Additional Services to SHC in its sole discretion and at its own expense, and SHC does not pay any fees to TD Ameritrade for the Additional Services. SHC and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

SHC's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to SHC, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, SHC's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with SHC, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, SHC may have an incentive to recommend to its Clients that the assets under management by SHC be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. SHC'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.

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

SHC may pay referral fees to other professionals when a prospect or client is referred to SHC.

SHC may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for

participation in AdvisorDirect, SHC may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with SHC and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise SHC and has no responsibility for SHC's management of client portfolios or SHC's other advice or services. SHC pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to SHC ("Solicitation Fee"). SHC will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by SHC from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired SHC on the recommendation of such referred client. SHC will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

SHC's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, SHC may have an incentive to recommend to clients that the assets under management by SHC be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, SHC has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

## **Item 15: Custody**

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### **Account Statements**

SHC, however, generally recommends that clients establish accounts with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), a FINRA-registered broker-dealer, member FINRA/SIPC/NFA, to maintain custody of clients' assets and to effect trades for their accounts. SHC is independently owned and operated and not affiliated with TD Ameritrade. Although SHC may recommend that clients establish accounts at TD Ameritrade, it is the client's decision to custody assets with TD Ameritrade. For clients who select investment management services from SHC, SHC places trades through the client-designated qualified custodian for the client account under a limited power of attorney through investment discretion. All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by SHC.

SHC is deemed to have indirect custody solely because advisory fees are directly deducted from client's accounts by the custodian on behalf of SHC.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

SHC accepts discretionary authority to manage securities accounts on behalf of clients. SHC 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, SHC 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. SHC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

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

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### **Proxy Votes**

SHC does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

When assistance on voting proxies is requested, SHC will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because SHC does not serve as a custodian for client funds or securities and SHC does not require prepayment of fees of more than \$1200 per client and six months or more in advance.

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

SHC has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

### **Bankruptcy Petitions during the Past Ten Years**

Neither SHC nor its management has had any bankruptcy petitions in the last ten years.

# **SUPERVISED PERSON BROCHURE**

FORM ADV PART 2B

Peter J. Nagle, CFP<sup>®</sup>



**Office Address:**  
2614 Boston Post Road  
Guilford, CT 06437

Tel: 203-689-5742  
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[pat@sprucehillcap.com](mailto:pat@sprucehillcap.com)

This brochure supplement provides information about Peter J. Nagle and supplements the Spruce Hill Capital, LLC's brochure. You should have received a copy of that brochure. Please contact Peter J. Nagle if you did not receive the brochure or if you have any questions about the contents of this supplement.

Additional information about Peter J. Nagle (CRD #721411) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**SEPTEMBER 17, 2013**

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

### Supervised Person Brochure

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#### Principal Executive Officer

Peter J. Nagle, CFP®

- Year of birth: 1950
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#### Item 2 Educational Background and Business Experience

##### Educational Background:

- Bachelors of Arts Degree Charter Oak College - 1975
- Masters in Religion Yale University -1996

##### Business Experience:

- Spruce Hill Capital, LLC; President/Investment Advisor Representative; 12/2010 - Present
  - Peter J. Nagle Financial Management; Owner; 11/2006 – 11/2010
  - Commonwealth Financial Network; Investment Advisor Representative; 06/2000 – 11/2010
  - Commonwealth Financial Network; Registered Representative; 07/1986 – 11/2010
  - Fairfield Financial Group, Inc.; Investment Advisor Representative; 09/1987 – 03/2004
  - Fairfield Financial Services.; Insurance Agent; 07/1986 – 11/2006
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#### Professional Certifications

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

Certified Financial Planner (CFP®): Certified Financial Planner is a designation granted by the CFP® Board. CFP® requirements:

- Bachelor's degree from an accredited college or university.
  - Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
  - Successful completion of the 10-hour CFP® Certification Exam.
  - Three-year qualifying full-time work experience.
  - Successfully pass the Candidate Fitness Standards and background check.
  - When you achieve your CFP® designation, you must renew your certification every year, pay certification fee and complete 30 hours of continuing education.
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#### Item 3 Disciplinary Information

None to report

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**Item 4 Other Business Activities**

President Peter J. Nagle does not have any other business activities.

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**Item 5 Additional Compensation**

President Peter J. Nagle does not receive any additional compensation or any performance based fees.

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**Item 6 Supervision**

Mr. Nagle is the President of Spruce Hill Capital, LLC. Vincent M. Esposito is designated as the Chief Compliance Officer of Spruce Hill Capital, LLC and will supervise Mr. Nagle. Mr. Esposito can be contacted at 203-689-5742.

# **SUPERVISED PERSON BROCHURE**

FORM ADV PART 2B

Vincent M. Esposito



**Office Address:**  
2614 Boston Post Road  
Guilford, CT 06437

Tel: 203-689-5742  
Fax: 203-689-5741

[pat@sprucehillcap.com](mailto:pat@sprucehillcap.com)

This brochure supplement provides information about Vincent M. Esposito and supplements the Spruce Hill Capital, LLC's brochure. You should have received a copy of that brochure. Please contact Vincent M. Esposito if you did not receive the brochure or if you have any questions about the contents of this supplement.

Additional information about Vincent M. Esposito (CRD #2566788) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**SEPTEMBER 17, 2013**

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

### **Supervised Person Brochure**

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#### **Principal Executive Officer**

**Vincent M. Esposito**

- Year of birth: 1971
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#### **Item 2 Educational Background and Business Experience**

Educational Background:

- Bachelors in Finance - Southern CT State University - 1994

Business Experience:

- Spruce Hill Capital, LLC; Executive Vice President/Investment Advisor Representative; 12/2010 - Present
  - Peter J. Nagle Financial Management; Investment Advisor Representative; 11/2010 – 11/2010
  - Esposito Financial, LLC; Owner; 01/2000 – 11/2010
  - Wealth Management, LLC; Owner; 09/1987 – 01/2000
  - Commonwealth Financial Network; Investment Advisor Representative; 09/2003 – 10/2010
  - Commonwealth Financial Network; Registered Representative; 09/2003 – 11/2010
  - Sunamerica Securities; Registered Representative; 04/2000 – 09/2003
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#### **Item 3 Disciplinary Information**

None to report

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#### **Item 4 Other Business Activities**

Executive Vice President Vincent M. Esposito does not have any other business activities.

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#### **Item 5 Additional Compensation**

Executive Vice President Vincent M. Esposito does not receive any additional compensation or any performance based fees.

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#### **Item 6 Supervision**

Mr. Esposito is the Chief Compliance Officer of Spruce Hill Capital, LLC and he is ultimately responsible for all supervision and formulation and monitoring of investment advice offered to clients. Peter J. Nagle is the President of Spruce Hill Capital, LLC and will supervise Mr. Esposito. Mr. Nagle can be contacted at 203-689-5742.