

## **Item 1. Cover Page**

### **Form ADV, Part 2A DISCLOSURE BROCHURE February 23, 2015**

**Palm Equity LLC**  
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*This brochure provides information about the qualifications and business practices of Palm Equity LLC. If you have any questions about the contents of this brochure, please contact us at (561) 227-9050. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.*

*Palm Equity LLC is registered as an investment adviser with the SEC. Registration with the SEC simply means that Palm Equity LLC is authorized to provide investment advisory services and does not imply a certain level of skill or training.*

*Additional information about Palm Equity LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2. Material Changes**

There were no material changes for the year.

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## **Item 4. Advisory Business**

### **A. The Firm and Principal Owners**

Palm Equity LLC ("Palm Equity" or the "Firm") provides investment advisory services to high net worth individuals, families and charitable organizations. The Firm was founded in June 2008. The 100% owner of the Firm is Grant Mashek, the Firm's Managing Member.

### **B. Types of Services Offered**

We provide investment management services to clients on a discretionary basis.

We construct diversified portfolios comprised of the major asset classes (e.g., equities, bonds, investment company securities, alternative investments, commodities (in the form of exchange traded funds ("ETFs"), and cash) for our clients utilizing an active asset allocation approach. We will use the services of other managers to manage a substantial portion of client assets.

The actual investment strategies and processes that we employ as well as associated risks are discussed in detail in Item 8 below.

### **C. Level of Service Offered**

We provide discretionary investment management services. We create an investment profile for the client that defines the client's objective and risk profile. Based upon the investment profile, we construct a customized portfolio suited to the client's objective and risk profile. Clients may impose restrictions on investing in certain securities or types of securities. We implement and manage the portfolio based upon the client's objectives.

### **D. Portfolio Management Services to Wrap Fee Programs**

We do not provide portfolio management services to wrap fee programs.

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

Palm Equity manages \$287,967,655 on a discretionary basis. This amount is calculated as of December 31, 2014.

## Item 5. Fees and Compensation

### A. Fees and Compensation

#### Management Fee

Our management fee ("Management Fee") for providing investment advisory services is based on a percentage of assets under management. We charge clients a 1% annual fee based on the market value of client assets on the first day of each calendar quarter. Fees are negotiable, at our discretion, on a case-by-case basis.

#### Incentive Fees

Certain clients are charged an incentive fee ("Incentive Fee"). Typically, the Incentive Fee is based on Total Investment Return, which is generally defined as the difference between the fair market value of a client's account assets on January 1 and December 31 of a calendar year, calculated as if no payments or disbursements (other than those in connection with the purchase and sale of account investments) have been made. After determining the Total Investment Return, to the extent that the Total Investment Return exceeds 5%, we will receive an Incentive Fee of 5% of the Total Investment Return. For more information regarding the Incentive Fee, clients should refer to the investment management agreement. Fees are negotiable, at our discretion, on a case-by-case basis.

### B. Method of Payment

One fourth of the annual Management Fee is due on the last day of each calendar quarter in arrears. Fees are calculated as set forth in each client advisory agreement. Normally, the fee is based upon the market value of client assets on the first day of the applicable calendar quarter.

Incentive fees are charged to clients on an annual basis.

Clients are offered the option of being invoiced or having their custodial accounts debited for fees.

### C. Other Fees and Expenses

Fees Charged to Clients in Addition to the Fees Listed Above:

1. Brokerage Commissions and Other Transaction and Third Party Fees: Clients will pay all brokerage commissions, markups, markdowns, custodial fees and service charges, stock transfer fees and other similar charges incurred in connection with transactions for the client's account. In addition, the client may be subject to:
  - a. Wire transfer and electronic fund fees;
  - b. Fees for odd-lot differentials;
  - c. Retirement plan fees, as applicable;
  - d. Other fees and taxes related to brokerage accounts; and
  - e. Other charges required by law.

These charges will generally be paid out of the client's assets held with the custodian,

and are in addition to the Management Fee and Incentive Fee paid to us.

For investments in mutual funds and exchange traded funds, clients may incur additional charges imposed by third-parties, including, but not limited to, the following:

- a. Mutual fund sales fees and sub transfer fees;
- b. Internal management fees and administrative expenses for mutual funds and exchange traded funds that are disclosed in the fund prospectus; and
- c. Mutual fund transaction fees and mutual fund short term redemption fees, if applicable.

These charges will generally be paid out of the client's assets held with the custodian and are in addition to the Management Fee and any Incentive Fee paid to us.

2. Fund Investments: Clients invested in pooled investment vehicles ("Investment Funds") can expect to be charged management fees, performance fees and certain administrative expenses by the third party Investment Fund manager. All of these fees are in addition to the fees noted above. Fund management fees charged by third party Investment Fund managers are typically 2% but may vary. Performance fees are typically 20% of realized and unrealized gains, but the terms may vary. All fees and administrative expenses are disclosed in the offering documents for each Investment Fund that clients receive. In addition, each Investment Fund requires clients to meet specific qualifications in order to invest. Clients should refer to the offering documents of the Investment Funds for more specific information regarding fees and other expenses.
3. Management Fees to Separate Account Managers: We intend to utilize third party managers to manage a portion of client assets. The managers charge asset management fees that are in addition to the Management Fee that we charge. In addition, client accounts maintained at the manager will bear similar costs to those disclosed in Paragraph 1 of this Section C.

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

We do not collect fees in advance.

#### **E. Other Compensation**

We and our supervised persons do not accept any compensation for the sale of securities or other investment products.

**Item 6. Performance-Based Fees and Side-By-Side Management**

Incentive Fees are based on a share of the capital gains on, or the capital appreciation of, clients' assets. Certain accounts may be charged the Incentive Fee as described in Item 5 above.

The fact that we may be compensated based on the performance of clients' investments (i.e., realized and unrealized net gains) may create an incentive for us to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. Since Incentive Fees earned are calculated on a basis that includes unrealized appreciation of client assets, such fees may be greater than if they were based solely on realized gains. In addition, we may manage client accounts that are charged the Management Fee and an Incentive Fee as well as accounts that are only charged an asset-based fee. Furthermore, the amount of Incentive Fees charged may vary among client accounts. We may thus have an incentive to favor client accounts that are charged an Incentive Fee over those that are not so charged and those that are charged the maximum Incentive Fee over accounts that are charged a lower Incentive Fee.

**Conflict Mitigation**

1. Palm Equity's policy is to disclose to all clients the potential conflicts described above by distributing this Form ADV, Part 2A.
2. Palm Equity maintains policies and procedures that require a fair and equitable allocation of limited investment opportunities among all eligible accounts;
3. Palm Equity maintains policies and procedures that require a systematic review process for portfolio management and trade allocation issues;
4. Palm Equity's portfolio manager is mindful of the investment objectives of client accounts and has a process in place to monitor compliance with investment and risk management guidelines that we implement; and
5. Palm Equity has adopted policies and procedures that require employees to act in the best interests of clients at all times.

## **Item 7. Types of Clients**

We provide investment advisory services to high net worth individuals, families and charitable organizations. Our normal minimum account size is \$4,000,000. At the discretion of our Managing Member, the minimum account size may be waived.



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

### A. Methods of Analysis and Investment Strategies

The Firm's main objective is to preserve and enhance client capital, taking risk according to a client's stated objectives. A wide array of asset classes (including listed/non-listed and liquid/non-liquid securities) will be used in client accounts where appropriate. This use of diversification among asset classes and individual investments will attempt to mitigate the risks associated with uncertain global markets.

Clients will bear the additional costs associated with underlying investments. Some managers/investment vehicles will employ high turnover and/or leveraged strategies that will incur higher trading and/or financing costs. The Firm seeks to minimize total costs in most circumstances.

The Firm utilizes a wide variety of techniques and strategies to make investment decisions on behalf of clients. Although these strategies may vary from time to time and include strategies not listed below, the Firm primarily divides methods of analysis into quantitative and qualitative approaches to both investment selections and asset allocation. Our asset allocation process emphasizes a diverse portfolio of securities, both selected by the Firm, as well as by other managers/vehicles. These investments may be long or short-term. Our selected managers/vehicles employ a wide array of investment strategies and techniques. When analyzing an investment opportunity we will generally employ the following methods of analysis:

**Quantitative methods** include statistical analysis of the individual investment opportunity and overall portfolio fit. Primary statistical measurements employed include rates of return, standard deviation, correlation, and beta. Market technical analysis is periodically used to understand price fluctuations, volume movements, and valuation metrics of both individual securities and the markets as a whole.

**Qualitative methods** include gathering information on a particular manager's experience, career and reputation and the structure of the individual investment opportunity. If available, this includes understanding previous behavior, although it cannot predict future behavior or returns.

In order to achieve client objectives, the Firm will allocate a portion of client portfolios in emerging and developed countries.

The Firm will primarily use the following instruments:

- Equity and fixed income securities (including ETFs, mutual funds and individual securities). The Firm may make direct investments or utilize separate account managers.
- Private pooled investment vehicles (including illiquid and unlisted: hedge funds, private equity, and venture capital). These investments may be in securities, real estate or commodities, including, but not limited to, metals, currencies and timber.

When selecting other managers/vehicles, the Firm will employ multiple techniques in its searches. These include, but are not limited to, paid third party research providers, industry publications, industry conferences, referrals, and software screening programs.

## **B. Material Risks Associated with Investment Strategies**

Although every attempt will be made to reduce the chance of permanent impairment or total loss of capital, no guarantees can be provided due to the wide array of risks in investing. Any investment in securities carries a risk of loss that investors should be willing to bear. There is no guarantee the Firm's determined strategy will meet the client's objective (whether stated or otherwise). Market movements are difficult to predict, might last for a short or long time, and might affect the value of a client portfolio.

## **C. Material Risks Associated with Certain Securities.**

### **Risks in General**

All investments in securities have certain risks, including the following:

- Market risk – The price of a security may drop in reaction to tangible and/or intangible events and conditions. This type of risk is caused by external factors independent of the security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- Credit risk - Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or such issuer will fail to make timely payments of principal or interest, resulting in the security going into default.
- Liquidity risk – Liquidity is the relative ability to convert a security into cash. Certain investments in clients' portfolios may be inherently less liquid than others.
- Volatility risk - A measure of the uncertainty or risk in the future price of an asset. Typically, volatility is measured by the standard deviation or variance of returns on the asset.
- Inflation risk – The risk that the rate of inflation (the decline in the purchasing power of a dollar) will exceed the rate of return on investment.
- Event risk - This risk is very difficult to predict because it may involve a wide range of different situations, such as natural disasters, political or social unrest, regulatory changes, etc.
- Business risk – This is a risk associated with a particular industry or a particular company within an industry.
- Financial risk – Excessive borrowing to finance a business's operations may impact the profitability of a company because its obligations to meet its debt payments are irrespective of the success of the business at any specific point in time.
- Fraud risk - Clients should be made aware that, beyond normal financial risks listed above, any investment can be affected by a risk of fraud.

- **Currency risk** – Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also referred to as exchange rate risk.
- **Foreign investment risk** - Investments in securities issued by entities outside of the United States may be subject to the risks described above to a greater extent. Foreign investments may also be affected by currency controls; different accounting, auditing, financial reporting and disclosure, as well as regulatory and legal standards and practices; expropriation; changes in tax policy; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or receiving payment of dividends. These risks may be heightened in emerging countries.

**Specific Risks Associated with Particular Securities are Outlined Below:**

1. **Mutual Funds**: We invest client funds in mutual funds, some of which are highly specialized. Below are some general risks associated with mutual funds:
  - a. **Manager risk** is the risk that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the mutual fund to underperform relevant benchmarks or other funds with a similar investment objective.
  - b. **Non-diversification risk** is the risk that a fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. Certain funds may be non-diversified, which means that they may invest a greater percentage of their assets in the securities of a small number of issuers as compared with other mutual funds.

For a description of the risks associated with particular mutual funds, it is important to read the individual prospectuses related to those funds.

2. **Fund Investments**: We may recommend Investment Funds to our clients, such as hedge funds or private equity funds. Such investments contain certain risks in addition to those named above in reference to mutual funds. They are outlined as follows:
  - a. **Liquidity**: Partnership and LLC member interests are not easily transferable, if at all, even on the secondary market, and are subject to redemption limitations.
  - b. **Transparency**: Advisers to Investment Funds may not provide detailed information on their portfolio positions and, therefore, clients may not be able to objectively assess the risk of the underlying fund investments.
  - c. **Reliance on Key Personnel**: Most fund advisors have a small number of key people who make the important investment decisions. Should any of those persons end their association with the fund, the ability to achieve good performance may be impaired.
  - d. **Similar Funds**: Investment managers often advise other similar funds and, depending on the fee structures for those funds, may allocate certain limited investment opportunities to higher fee funds.

- e. Valuation: Certain funds own hard to value assets. Investment managers generally have discretion to value those assets and have an incentive to assign a higher value to those assets as their fees are tied to such valuations. We mitigate this conflict by requiring that Investment Funds we select for our clients be independently audited.
- f. Leverage: Certain funds use leverage (borrow funds from banks and brokers) to increase their securities holdings. The use of leverage will magnify both gains and losses.

More specific risks associated with a fund are often outlined in the fund's offering memorandum.

3. Exchange Traded Funds ("ETFs"):

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. (Some ETFs that invest in commodities, currencies, or commodity or currency-based instruments are not registered as investment companies.) Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. While investing in ETFs may create similar risks to those of mutual funds (because ETF shares are traded on an exchange), they are also subject to additional risks that include the following:

- a. **Valuation Risk.** ETFs are listed for trading on exchanges, and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF share typically will approximate its net asset value ("NAV"), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy an ETF share, and you may receive more or less than NAV when you sell those shares.
- b. **Liquidity Risk.** Although ETF shares are listed for trading on exchanges, it is possible that they may not maintain an actively trading market. In addition, trading of ETF shares on an exchange may be halted by the activation of individual or market-wide "circuit breakers" (that halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of ETF shares may also be halted if: (1) the shares are delisted from the exchange where they are trading without first being listed on another exchange; or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

4. Fixed Income Products:

We invest a significant amount of client assets in fixed income products. Below are certain risks associated with fixed income products that are not disclosed above:

- a. **Interest rate risk:** Fluctuations in interest rates can cause fixed income asset prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market value to decrease.

- b. **Downgrade Risk:** The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poor's, Moody's or Fitch. The rating agencies attempt to measure the ability of an issuer to make the interest and principal payments on their debt. Typically, the higher the issuer's credit rating the lower the expected investment return will be. A downgrade of a particular issuer's credit rating may result in a decrease in value of its existing bonds.
- c. **Credit Risk:** This is the risk of loss for a bondholder as a result of a default of the issuer. A default occurs when an issuer fails to make an interest and/or principal payment on their debt.
- d. **Duration Risk:** Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a way to compare how different bonds will react to interest rate changes.

## **Item 9. Disciplinary Information**

We have no legal or disciplinary events that are material to a client or prospective client's evaluation of our advisory business or the integrity of our management.

**Item 10. Other Financial Industry Activities and Affiliations****A. Broker-Dealer Affiliations**

Neither we nor our management persons are registered or have applications pending to register as a broker-dealer or registered representatives of a broker-dealer.

**B. Commodity Affiliations**

Neither we nor our management persons are registered or have applications pending to register as a futures commission merchant, commodity pool operator, commodity trading adviser or an associated person of these entities.

**C. Other Affiliations**

Neither we nor our management persons have any other material relationship or arrangement with any other firm that would be deemed a related person.

**D. Recommendation of Selection of Other Investment Advisers**

As stated above, we select other investment advisers and other pooled investment vehicles for investments for our clients. However, we receive no compensation, either directly or indirectly, from the investment advisers and pooled investment vehicles.

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

### **A. Summary of Code of Ethics**

We maintain a Code of Ethics (the "Code") that describes our fiduciary duty to our clients and sets standards for business conduct. The following is a summary of the key provisions of the Code:

**Scope** - The Code covers all directors, officers, partners, employees, and any other persons who are under our supervision and control.

**Fiduciary Duties** - The Code is based on the principle that we and our employees owe a fiduciary duty to our clients. Accordingly, we and our employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of our clients.

**Personal Securities Trading** - All Employees are subject to certain trading restrictions. In addition, all employees must report their personal securities transactions quarterly and personal securities holdings annually.

**Code of Conduct** - The Code contains specific topics designed to reflect our commitment to ethical conduct. These topics include compliance with legal and regulatory requirements, gifts, outside activities, entertainment and board directorships. We also maintain separate Insider Trading Policies and Procedures.

**Code Violations** - The Code requires that all employees report any actual or apparent violation of the Code and provides for a prohibition on retaliation against any person who reports such violations. Appropriate sanctions are included for Code violations.

You may receive a copy of our Code by contacting our Compliance Department at One North Clematis, Suite 320, West Palm Beach, Florida 33401 or by phone at 561-227-9050.

### **B. Transactions with Clients**

We do not recommend or buy or sell securities in which we or a related party hold a material financial interest.

### **C. Investing in the Same Securities as Clients**

We permit our employees and employees of affiliates to trade in the same securities as those held by clients. Potential conflicts arise when employees buy or sell the same securities we buy or sell for clients. For instance, if employees have knowledge of pending client trades that could impact the market price of a security, they could time their transactions so as to receive a better price than that of the clients. Our policy is, with the exception of open-end mutual funds, to closely monitor employee personal trading to ensure that such employees do not profit at the expense of clients.

For additional information on aggregation of trades see Item 12.

### **D. Employees Trading in the Same Securities as Clients at the Same Time**



It is the Firm's policy that trades for proprietary accounts or those of related parties will not be part of an aggregated trade with client accounts.

## **Item 12. Brokerage Practices**

### **Factors in Broker Selection**

Brokerage transactions are generally executed through a broker/custodian selected by the client.

This practice is known as “Client Directed Brokerage.” Clients may pay more for trade execution than they would if they did not direct brokerage arrangements because of the Firm’s inability to negotiate commission rates and evaluate the execution quality of such brokers. Also, the fact that the Firm may not be able to aggregate orders for Client Directed Brokerage accounts may result in less favorable execution and/or commissions for such accounts.

As all brokerage is client directed, we do not receive client referrals in exchange for selection of a broker. In addition, we do not receive soft dollar benefits in connection with client transactions.

### **Aggregating the Purchase and Sale of Securities for Client Accounts**

Because all brokerage is Client Directed Brokerage, our ability to aggregate orders is limited. However, we may be able to aggregate securities sales and purchase orders for client accounts held at the same custodian for which we have discretion. Aggregated security sales and purchase orders are predetermined by the Firm.

When we aggregate trades, an average price is calculated for all securities purchased or sold in such transactions, and we charge or credit a client, as the case may be, the average transaction price. Under this procedure, generally, we would average transactions as to price and we would allocate costs among our clients participating in the trade in proportion to the order placed for each client account.

If aggregated orders for a security cannot be completely filled, the completed orders are generally allocated “pro rata” among the accounts included in the order based upon the order size specified. The Firm reserves the right to reallocate securities to avoid a de minimis allocation.

When we do not aggregate trades, it may impact execution and the price received by different clients may differ, with certain clients getting better pricing than others.

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

### **A. Periodic Review of Client Accounts**

Generally, client level account reviews occur no less frequently than each quarter. These reviews are conducted by the Managing Member.

All new accounts are reviewed by the Managing Member, who is responsible for implementing the appropriate portfolio strategy.

### **B. Review of Client Accounts on Other than Periodic Basis**

Factors that may cause our Managing Member or other personnel to review a client's account more frequently include:

- Volatile market periods;
- Changes in client objectives; and
- Client requests.

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

We provide clients with written quarterly portfolio evaluations of their accounts, including portfolio statements and performance reports. We will also provide client reports upon request from the client.

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

### **A. Economic Benefits from Third Parties**

We do not receive any economic benefit from a third party for providing investment advisory services.

### **B. Compensation to Third Parties for Referrals**

While we have no current arrangement with third parties, we may in the future have arrangements with third parties where we will pay these third parties a cash referral fee for soliciting clients. Solicitors will give clients a solicitor's disclosure document prior to the time of entering into an investment management agreement, as well as our Form ADV, Part 2. Clients must acknowledge in writing the receipt of both disclosure documents.

## **Item 15. Custody**

We do not maintain physical custody of any client assets. However, we do offer the option to clients to have fees deducted from their custodial accounts. For those relationships, the Firm would be deemed to have technical custody.

All of our clients receive monthly or quarterly account statements directly from the custodian. In addition, we send out quarterly account statements to clients. We urge clients to compare the statements they receive from their custodian to those we send.

## **Item 16. Investment Discretion**

We accept discretionary authority to manage securities portfolios on behalf of our clients. We give those clients the opportunity to place restrictions and limitations on this authority. Since all portfolios are customized to the needs of the specific client, these restrictions will vary depending on the portfolio construction. All such clients sign investment management agreements that clearly describe any limitations the client may impose.

## **Item 17. Voting Client Securities**

### **A. Voting Authority**

We do not vote proxies on behalf of our clients. The language in the Firm's investment management agreement reflects this policy.

### **B. Client Voting**

Our clients will receive proxies or other solicitations directly from their custodian, transfer agent or other third parties. In the event that proxies are sent to us, we will provide the proxies to our clients.

## **Item 18. Financial Information**

### **A. Solicitation or Prepayment of More than \$1,200 in Fees**

We do not require, nor do we solicit, prepayment of more than one thousand two hundred (\$1,200.00) in fees per client, six (6) months or more in advance. Therefore, we have not included a balance sheet for our most recent fiscal year.

### **B. Financial Condition Disclosure**

Although we do have discretionary authority over our client accounts, we do not have any financial condition to disclose that is likely to impair our ability to meet our contractual commitments to the clients.

### **C. Other Financial Disclosures**

We have never been the subject of a bankruptcy petition.



## **Other Conflicts, Risks and Mitigation**

### Valuation

We have a duty to ensure that client portfolios are valued properly.

There is a conflict of interest for us, because the performance reported and the compensation we earn on advisory accounts is based on assets under management, so if we were to assign a higher value to client portfolios, the performance would be more favorable and the fees we collect would be higher. We address this conflict by utilizing third party pricing, subject to our review.

### Trade Errors

The Firm has developed trade error procedures whereby clients are reimbursed for all losses attributed to trade errors. All gains resulting from trade errors will remain in client accounts.