

## **Item 1 – Cover Page**

# **Vernal Point Advisors, LLC**

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**This brochure provides information about the qualifications and business practices of Vernal Point Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 637-2665 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Vernal Point Strategies also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Firm" using the firm's CRD number, which is 166587.**

## **Item 2 – Material Changes**

This brochure dated January 26, 2015 has been updated to reflect the following changes:

Mailing address updated to reflect move from Suite 460 to 1120.

Chief Compliance officer updated to Niel Armstrong

Our brochure may be requested by contacting Niel Armstrong, Chief Compliance Officer, at (415) 637-2665 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com).

## Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
About Vernal Point Advisors, LLC .....	1
Services Offered .....	1
Trade Error Policy .....	4
Client Obligations .....	4
Disclosure Statement .....	4
Amount of Assets Under Management .....	4
Non-Participation in Wrap Fee Programs .....	4
Our Policy on Class Action Lawsuits .....	5
Item 5 – Fees and Compensation .....	6
Termination .....	7
Item 6 – Performance-Based Fees and Side-By-Side Management .....	8
Item 7 – Types of Clients .....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Methods of Analysis .....	10
Investment Strategies .....	11
Risk of Loss .....	12
Interest-rate Risk .....	12
Market Risk .....	12
Reinvestment Rate Risk .....	12
Purchasing Power Risk (Inflation Risk) .....	12
Business Risk .....	12
Financial Risk .....	12
Currency Risk (Exchange Rate Risk) .....	12

Liquidity Risk.....	13
Item 9 – Disciplinary Information .....	15
Item 10 – Other Financial Industry Activities and Affiliations.....	16
Item 11 – Code of Ethics .....	17
Item 12 – Brokerage Practices .....	18
Broker Selection/Recommendation.....	18
Research and Additional Benefits .....	18
Item 13 – Review of Accounts.....	20
Item 14 – Client Referrals and Other Compensation .....	21
Item 15 – Custody .....	22
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities .....	25
Item 18 – Financial Information .....	26

## **Item 4 – Advisory Business**

### **About Vernal Point Advisors, LLC**

Vernal Point Advisors, LLC ("VPA") is a limited liability company formed in 2012 in the State of California. Vernal Point Advisors, LLC is majority owned by Paul Morelli and Alissa Douglas. The major decisions of a strategic and administrative nature for the firm are undertaken by Mr. Morelli and Ms. Douglas.

### **Services Offered**

Vernal Point Advisors, LLC is a financial advisory firm dedicated to providing personalized confidential financial planning and investment management to its clients. All material conflicts of interest under CCR Section 260.238 (k) have been disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

VPA provides financial planning and investment management services that include (1) helping the client clarify his or her investment objectives, goals and time horizons, (2) creating a diversified portfolio based on those needs, and (3) establishment of a virtual family office. VPA may provide investment supervisory, investment management or related services on a discretionary basis. If granted discretionary authorization to make trades in client accounts, VPA will use its best judgment for each client's situation without the client's prior consent. VPA will evaluate all publicly traded investments, but primarily recommends to its clients institutional-style and no-load mutual funds and other low-cost investment vehicles, and for some clients municipal notes and bonds and other fixed income securities.

To the extent requested by the client, financial planning may include an examination of the client's cash flow, insurance, taxes, investments, retirement and estate planning needs. After one or several meetings and VPA's analysis, the client will be provided with a written plan charting recommendations to be made in the above areas to meet the client's goals and objectives.

Prior to engaging VPA to provide services, clients are generally required to enter into an agreement with VPA setting the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to VPA beginning services.

If requested by the client, VPA may recommend the services of other professionals for implementation purposes. 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 VPA. If a client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. It remains the client's responsibility to promptly notify VPA if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising VPA's previous recommendations and/or services.

VPA may also offer advisory management services to clients through "Third Party Money Managers" (TPMM's), or "Separately Managed Accounts" (SMA's). The difference between this service and those mentioned in section 1 above is that VPA is not the investment manager who is choosing, buying, and selling the investment holdings – an outside investment manager provides that function.

Here is a more detailed discussion of how these services work:

- VPA provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.
- Based on the client's individual circumstances and needs VPA will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. VPA is available to meet with clients on a regular basis, or as determined by the client, to review the account.
- On an ongoing basis, VPA will monitor the performance of the selected registered investment adviser(s). If VPA determines that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's policy guidelines, VPA may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, VPA assists the client in selecting a new registered investment adviser and/or program. However, any move to a new registered investment adviser

and/or program is solely at the discretion of the client.

- At least annually, VPA will meet with the client to review and update, as necessary, the client's investment guidelines. However, should there be any material change in the client's personal and/or financial situation, VPA should be notified immediately to determine whether any review and/or revision of the client's investment guidelines is warranted.

To engage VPA to provide you with management selection program services, the client will generally be required to enter into a written agreement with VPA, as well as with the program manager. These agreements will set forth the terms and conditions of the engagement and describe the scope of the services. The client will also receive the written disclosure statement of the selected program manager(s) and wrap fee program sponsor (if applicable). These disclosure statement(s) are in addition to the one from VPA which you are currently reviewing.

After consultation with VPA, clients may impose restrictions on investing in certain securities or types of securities. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. In either case, all restrictions must be in writing.

The client is under no obligation to act on the investment adviser's recommendation. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through VPA.

In addition to hourly financial planning services, VPA may periodically provide the following types of educational seminars:

- Requested by third parties such as a business, fraternal association, or non-profit group. These seminars can provide education on basic financial planning concepts or a specific financial topic as requested. The firm may be paid a flat fee for the employee's time by the sponsoring party. VPA is not paid by attendees for the seminar, although attendees may independently contact VPA afterwards to engage our hourly financial planning services; or
- Custom education curriculum created by VPA on financial topics for ultra high net worth clients, often in conjunction with its other services (such as advisor selection, financial planning, and family office services). Family office services provided by VPA include the organization of a client's financial information,

facilitating family governance, special projects, comprehensive risk management, the development of operational infrastructure, establishment of and administration of closely held client entities such as trusts and foundations, execution of planning strategies, estate pre-administration, and active vetting and oversight of the client's other contractors and legal and tax advisors.

### **Trade Error Policy**

Should they occur, losses resulting from VPA trade errors shall be reimbursed by either VPA or the custodian depending on the dollar amount.

### **Client Obligations**

In performing its services, VPA is not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify VPA if there is ever any change in the client's financial situation or investment objectives during the client engagement.

### **Disclosure Statement**

A copy of VPA's written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the Advisory Agreement. Any client who has not received a copy of VPA's written brochure at least 48 hours prior to executing the Advisory Agreement shall have five business days subsequent to executing the agreement to terminate the VPA's services without penalty.

### **Amount of Assets Under Management**

**As of January 5, 2015 assets under management were \$147.2 million.**

### **Participation in Wrap Fee Programs**

VPA, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.



### **Our Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. VPA has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It 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, VPA 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 VPA 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 if the client has authorized contact in this manner.

## Item 5 – Fees and Compensation

VPA's fees for advisory services, including future services, will be based primarily on the amount of time expended on Client's behalf. Each fee is determined on the basis of the Client's requested services, current financial condition, complexity of financial condition and objectives and other related factors. The hourly billing rate for the services requested is \$250.00 to \$350.00 per hour. Travel and other expenses pre-approved by Client may also be included.

For virtual family office engagements, VPA will provide client with an updated plan of work at least on a monthly basis, and Invoices will be provided to client on a monthly basis and are due within ten days.

For discretionary investment management, fees will be based upon a percentage of the market value of the assets placed under VPA's management. Fee are negotiable on a client by client basis with maximum fees shown in the chart below. Clients will be billed on a quarterly basis in advance, based on end of day account balances on the closing day of the prior quarter.

<b>Assets Under Management</b>	<b>Annual Advisory Fee</b>
First \$5 million	0.90%
Next \$5 million	0.80%
Next \$10 million	0.70%
Next \$20 million	0.50%
Above \$40 million	Negotiable

The minimum annual fee for investment management service is \$30,000.

Pursuant to the California Code of Regulations Subsection (j) of Rule 260.238, VPA discloses that the Client may receive lower fees from other sources for comparable services. This Agreement is valid for one year from the signature date.

On an hourly or retainer basis, VPA will help ultra high net worth individuals and families source and evaluate other firms to act either as comprehensive wealth managers or as the primary investment advisor for the clients.

On an hourly or retainer basis, VPA creates custom educational curriculums for ultra high net worth individuals and families to train them to manage the complexities of wealth. These curriculums are typically delivered in a one on one format instead of in a group setting.

In addition to the specific services requested pursuant to this Agreement, Client may request financial advisory services in the future. The scope of such services will be determined at the time such services are requested and will be billed at VPA's then-current hourly rate, or on an annual retainer basis. Such additional services will be subject to the provisions of this Agreement, including the provisions relating to payment of fees and the limitations on VPA's duties and liabilities.

### **Termination**

The client may terminate any new agreement without penalty by providing written notice of such cancellation to VPA within five (5) business days of the date of signing the agreement. Following the five-day cancellation period, the Client will have the right to cancel the agreement with 30 days written notice at any time prior to the expiration date of the agreement. Each agreement is valid for one year from the signature date.

VPA will have the right to cancel any agreement if documents or other required information are not received from Client as agreed within thirty days after written request for such information.

VPA believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources.

VPA's relationship with each client is non-exclusive; in other words, VPA provides investment advisory services and financial planning services to multiple clients. VPA seeks to avoid situations in which one client's interest may conflict with the interest of another client.

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

Item 6 is not applicable to VPA. VPA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Such acceptance or management would pose a significant conflict of interest to the client as performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. VPA considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

## **Item 7 – Types of Clients**

VPA clients are generally high net worth individuals and small institutions. Client relationships vary in scope and length of service.

VPA has no minimum account size, however, there is a \$30,000 minimum annual fee for investment management services.

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

### **Methods of Analysis**

Before designing investment plans for clients, VPA will evaluate the client's investments to determine whether the client's goals harmonize with the client's financial objectives. VPA will propose a portfolio to help clients attain their financial goals. In designing investment plans for clients, VPA relies upon the information supplied by the client and client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. VPA will design and propose a portfolio to help clients attain their financial goals.

This information will become the basis for the strategic asset allocation plan that VPA believes will best meet the client's stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes that VPA believes will possess attractive combinations of return, risk, and correlation over the long term.

When VPA invests client assets, asset allocation techniques are used which include stocks and bonds of varying characteristics and from both the United States and foreign markets. VPA invests for the long term and expects that not all investments in a given portfolio will perform in unison with other assets in the same portfolio. VPA manages money for the clients' downside protection, not upside gain. VPA does not systematically rebalance the portfolio on a regular basis, but monitor each portfolio's asset allocation to make adjustments where appropriate. VPA's Portfolio Management decisions are made considering only the assets being managed and not with regards to other investments the client may hold.

VPA may utilize fundamental analysis. Fundamental analysis is performed on historical and present data, with the goal of making financial forecasts. The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

VPA also utilizes charting and other statistical stock market data.

## Investment Strategies

The primary investment strategy used on client accounts is asset allocation based on Modern Portfolio Theory. VPA develops a diversified investment portfolio by mixing different assets in varying proportions depending on client and current economic climate. The primary purpose of Asset Allocation is to reduce the risk in the portfolio, while maintaining or enhancing the rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with traditional markets.

VPA manages a variety of model portfolios based on client risk profiles, ranging from conservative to aggressive. VPA utilizes an analytic process of fund performance in each asset class on at least a quarterly basis in order to determine the holdings and weightings of the models. The models form the basis of the design of client asset allocations, though specific client interests and circumstances may add unique holdings to any portfolio.

Each client receives investment advice regarding their portfolio based upon his or her:

- Income Needs
- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes are mutual funds, exchanged traded funds (ETFs), private investment vehicles (limited partnerships and LLCs), separate accounts, direct investments, covered options and other derivatives.

The pooled investment vehicles provide:

- Professional Management
- Diversification
- Flexibility
- Liquidity

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 and Investment Policy Statement that documents their objectives, their desired investment strategy and any restrictions on investments requested by the client.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. VPA's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases, virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.



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.

Risks Associated with Option Trading: The purchase or writing of options contracts involves a high degree of risk and is not suitable for all investors.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity, price volatility, and geopolitical risk. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

## **Item 9 – Disciplinary Information**

Vernal Point Advisors, LLC has no reportable legal or disciplinary events.

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

Neither VPA, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither VPA, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

VPA does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.

As previously disclosed in the "Advisory Business" section (Item 4), when appropriate VPA may recommend the services of various registered investment advisers to clients. VPA does not receive a referral fee from the selected investment adviser, nor does VPA charge the client any fees for these referrals. However, because the assets managed by the other registered investment adviser do not aggregate for fee calculation with assets we may manage for the client directly, the client may incur a higher overall fee by using the combination of these services instead of having VPA manage all of the assets together. All advisers to whom VPA refers its clients must be a state licensed investment adviser or registered investment adviser with the Securities and Exchange Commission.

## Item 11 – Code of Ethics

VPA recognizes that we have a fiduciary duty to our clients to ensure that we eliminate or minimize any conflicts of interest with our clients. As such we have adopted and follow a strict Code of Ethics. The VPA Code of Ethics incorporates the Code of Ethics and Professional Responsibility (Code of Ethics) adopted by the Certified Financial Planner Board of Standards, Inc. and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. VPA will provide a copy of the Code of Ethics to any client or prospective client upon request, and it can also be obtained at the website <http://www.cfp.net/learn/ethics.asp>.

Neither VPA nor any related person of VPA recommends, buys, or sells for client accounts, securities in which VPA or any related person of VPA has a material financial interest.

VPA and/or representatives of VPA may buy or sell securities that are also recommended to clients. However, as it is the practice of VPA to invest in mutual funds, the firm or representatives of the firm are not in a position to materially benefit from the sale or purchase of those securities.

VPA also adheres to the Code of Ethics and Standards of Professional Conduct published by the CFA Institute.

VPA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Niel Armstrong at (415) 637-2665 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com).

## **Item 12 – Brokerage Practices**

### **Broker Selection/Recommendation**

In the event that the client requests that VPA recommend a broker dealer/custodian for execution and/or custodial services, VPA generally recommends that investment management accounts be maintained at T.D. Ameritrade, Member FINRA, SIPC.

Factors that VPA considers in recommending T.D. Ameritrade (or any other broker-dealer/custodian to clients) include financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by VPA's clients shall comply with the VPA's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where VPA determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although VPA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, VPA's investment management fee. VPA's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, VPA may receive from T.D. Ameritrade (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist VPA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by VPA may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications,

discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by VPA in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist VPA in managing and administering client accounts. Others do not directly provide such assistance, but rather assist VPA to manage and further develop its business enterprise.

VPA's clients do not pay more for investment transactions effected and/or assets maintained at T.D. Ameritrade as a result of this arrangement. There is no corresponding commitment made by VPA to T.D. Ameritrade or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

VPA's Chief Compliance Officer, Niel Armstrong, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

VPA does not receive referrals from broker-dealers.

VPA does not engage in directed brokerage arrangements.

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

T.D. Ameritrade provides the clients with consolidated statements. VPA's employees are not registered representatives of T.D. Ameritrade and do not receive any commissions or fees from recommending these services.

## **Item 13 – Review of Accounts**

VPA provides financial planning and investment consultation on a project basis. No on-going reviews are provided by VPA, unless contracted to do so by the client.

When contracted to do so, Portfolio Reviews and Rebalancing of the client's portfolio, for the assets held under management with VPA, will be undertaken: (1) periodically as determined by VPA; (2) upon request by the client, and (3) upon a substantial asset class decline, under the following adopted policies and procedures. All account reviews are conducted by the investment manager, Paul Morelli.

Periodic Portfolio Reviews are undertaken by advisors of VPA to ascertain if the values in any asset class have strayed beyond their target minimums or maximums, and for purposes of meeting a client's cash flow needs. Even if one or more asset classes fall outside their target minimums or maximums, the advisor may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, or our view on whether the asset class is undervalued or overvalued relative to historic norms and our view of the level of the macroeconomic risks to which the asset class may be exposed. Such in-house portfolio reviews are subject to additional restrictions set forth below.

Additional Portfolio Reviews are undertaken upon request by the client, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. VPA will respond to such requests within a reasonable period of time.

VPA may undertake sales and purchases periodically to effect tax loss harvesting.



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

As disclosed in Item 12 above, VPA may receive an indirect economic benefit from TD Ameritrade. VPA, without cost (and/or at a discount), may receive support services and/or products from T.D. Ameritrade.

## **Item 15 – Custody**

Client funds and securities are held with a qualified custodians, either TD Ameritrade or a custodian of the client's choice. Each client will receive quarterly statements directly from the custodian showing holdings, transactions and any deposits or debits from the account(s). We recommend that clients compare any portfolio reports or consolidated statements received from VPA with the custodial statements.

## **Item 16 – Investment Discretion**

VPA may receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Any investment discretion is obtained in writing through a limited power of attorney. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows VPA to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, VPA provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

VPA seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage VPA on a discretionary basis may, at any time, impose restrictions, in writing, on VPA's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe VPA's use of margin, etc.).

Some clients may choose to engage VPA to manage securities on a non-discretionary basis. If VPA receives non-discretionary authority from the client, VPA will select the identity and amount of securities to be bought or sold, but must receive approval from the client prior to placing any trades in the client's account. Please be advised that as a result, until VPA reaches the client, no transactions will be placed in any client accounts.

While trades are planned based upon an advisor's judgment of the likely value of asset classes at the end of trading on the exchanges (i.e., typically 4:00pm, the time when trades in mutual funds are executed under SEC rules), it is possible that late-session movements in the values of asset classes may occur, which may cause either an under-purchase or over-purchase of stock mutual funds or stock ETFs in a client's account relative to the desired target for a particular asset class.

NOTE: When determining whether to engage VPA on a discretionary or non-discretionary basis, please note that trades for discretionary clients may be placed ahead of non-discretionary clients.

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

VPA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. VPA may provide advice to clients regarding the clients' voting of proxies. Clients will receive their proxies or other solicitations directly from their custodian.

## **Item 18 – Financial Information**

VPA does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. VPA accepts limited forms of discretion over clients' accounts, as described in Item 16 of this brochure. VPA is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. VPA has never been the subject of a bankruptcy proceeding.

