

## Part 2A of Form ADV: Firm Brochure

### Item 1 – Cover Page

# *SeaBridge Investment Advisors LLC*

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March 30, 2015

This Brochure provides information about the qualifications and business practices of SEABRIDGE INVESTMENT ADVISORS LLC (“SeaBridge”). If you have any questions about the contents of this Brochure, please contact Susan Boyd at SeaBridge at 908-273-5085 ext 209 and/or [SBoyd@SeaBridge.com](mailto:SBoyd@SeaBridge.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.

SEABRIDGE INVESTMENT ADVISORS LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SEABRIDGE INVESTMENT ADVISORS LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with SeaBridge who are registered, or are required to be registered, as investment adviser representatives of SeaBridge.

## Item 2 – Material Changes

There were no material changes to this brochure since the annual update in March 2014.

### **Other changes of note:**

1. SeaBridge has engaged an additional solicitor, The Novo Agency. See Item 14: “Client Referrals and Other Compensation”.
2. As of June 2014, SeaBridge initiated a new investment strategy for which it intends to utilize research provided by CKM Research LLC. See Item 5: “Fees and Compensation”, Item 8: “Methods of Analysis, Investment Strategies and Risk of Loss”, Item 10: “Other Financial Industry Activities and Affiliations”.
3. Reference to Azimuth Meridian LLC has been removed from Item 10 as there are no longer any members of the LLC.
4. As of January 1, 2015 SeaBridge has expanded ownership in the firm to additional associates working in the firm. See Item 4.
5. There are other minor changes to the brochure.

Currently, our Brochure may be requested by contacting Susan Boyd, Chief Compliance Officer at 908-273-5085 ext 209 or [SBoyd@SeaBridge.com](mailto:SBoyd@SeaBridge.com). We will further provide new Brochures as necessary based on changes or new information, at any time, without charge.

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#### Item 4 – Advisory Business

SeaBridge is a registered investment adviser. The firm was founded in 1996 and has been managing client accounts since January 1997. Garnett L. Keith owns 27% of the firm. Three other principals in the firm (David Descalzi, John Conti and Susan Boyd) each own 19% of the firm and six other associates each own less than 5% of the firm.

SeaBridge manages global portfolios of publicly traded securities (primarily equities but also including some other classes of securities like Master Limited Partnerships, REIT's, closed-end funds, etc). These portfolios are generally in one of the following investment styles:

- Asia Strategy: (Primarily Asian equities)
- International Strategy: (Global Equities with a concentration outside the U.S.)
- Core Global Strategy: (Global Equities with a concentration in the U.S.)
- Yield Growth Strategy: (Global equities along with dampening assets)
- Global Investment Trusts Strategy: (Closed-end, open-end and exchange-traded funds and equities)
- Cautious Core Strategy: (Global equities, bond-like investments and cash)
- Longview Strategy: (U.S. Equities)

SeaBridge does manage portfolios in other specialized styles. SeaBridge also customizes portfolios for certain individual client criteria. Clients specify their level of risk tolerance and account objectives and may impose certain restrictions on the account (including restricting individual securities or groups of securities from purchase and/or sale).

SeaBridge offers:

- Discretionary management of individual client accounts
- Discretionary management of commingled funds
- Advice and recommendations to non-discretionary clients

For its **discretionary** management, SeaBridge manages the client portfolios according to the client's individual risk tolerance and objectives within the investment strategy chosen by the client. SeaBridge does not take custody of the client assets (except for generally deducting management fees from the client accounts) but makes decisions about trading in the account according to its conclusions about what would be appropriate for the client account (subject to any account restrictions specified by the client for the account or any specific instructions by

the client, e.g. to raise cash for a withdrawal). SeaBridge executes the trades for the client accounts, reviews custodian actions and records for the clients, and votes proxies that SeaBridge receives for the securities in the client accounts.

For most of its **non-discretionary (A)** clients, SeaBridge reviews the portfolios and makes recommendations as to trades in individual securities to be made in the accounts, subject to the client's investment strategy, objectives and requirements. SeaBridge does not execute trades for these clients.

For some **non-discretionary (B)** clients, SeaBridge makes recommendations about asset allocation and outside managers and funds as well as individual securities. SeaBridge does not execute trades for these clients.

As of February 28, 2015, assets under management totaled approximately \$1,370,000,000:

- Discretionary: \$750,000,000
- Non-discretionary **(A)**: \$530,000,000
- Non-discretionary **(B)**: \$90,000,000

In ADV Part 1, SeaBridge does not count any of the non-discretionary assets in its AUM since SeaBridge has no authority to execute trades in these accounts.

## Item 5 – Fees and Compensation

SeaBridge charges management fees for its services. For its **discretionary** clients, these are based on assets under management and are generally charged quarterly in advance. For most discretionary clients, SeaBridge deducts the fees directly from the client accounts after the quarterly package of reports (which includes a copy of the management fee invoice) is sent out to clients. Clients may, however, choose to pay their fees directly instead of authorizing SeaBridge to deduct the fees from their accounts.

Fees for **discretionary** accounts are set on a case by case basis depending on the type of account, and are determined generally as a percentage of the amount of assets in the account at the beginning of each quarterly valuation period. Standard fees for particular types of accounts are shown below:

ANNUAL RATE	
Asia Strategy	1.50%
International Strategy	1.50%
Longview	1.25%
Core Global Strategy	1.10%
Yield-Growth Strategy	1.00%
Global Investment Trusts Strategy	0.50%
Cautious Core Strategy	0.50%

SeaBridge also serves as a discretionary sub-advisor to *FOURPOINTS* Asset Management, Inc. for approximately 40 individual client accounts managed in various styles and receives an annual fee of .50% for most of those accounts. The fees for these accounts are paid in arrears.

For certain larger accounts, SeaBridge may apply a layered fee schedule based upon the standard annual fee rates noted above, so that with respect to both individual and institutional accounts in excess of (i) \$3,000,000, a fee rate equal to .75 of the standard rate otherwise applicable to such account would apply to that portion of the account above \$3,000,000, and (ii) \$10,000,000, a fee rate equal to .50 of the standard rate otherwise applicable to such account would apply to that portion of the account above \$10,000,000 (while the fee rate in clause (i) of this paragraph would apply with respect to the \$3,000,001 - \$10,000,000 layer of any such account).

For clients or groups of clients with more than one account under management by SeaBridge, SeaBridge may consider the total assets under management for that client, client household, or consultant and may apply a discounted fee based on the total asset size.

Fees may also be reduced for employees and their families, officers or Senior Advisors of SeaBridge or for educational or philanthropic institutions or others.

For one large commingled discretionary account (managed in the “Asia strategy”), a 1.4% fee is applied on the entire assets in the account (with no discount on asset size). The Managing Member of SeaBridge is the Managing Member of this LLC. SeaBridge also manages one other discretionary commingled account in the Asia strategy, which vehicle was set up and is administered by other organizations. SeaBridge receives an annual fee of 0.90% on the entire assets in this account.

SeaBridge is a sub-adviser to two U.S. mutual funds with an annual management fee of 72bp on the total assets in the accounts (with no scale down of the fee).

The fees described above in the preceding paragraphs are intended to cover most discretionary accounts, but fees for individual client accounts with special needs or circumstances are negotiable over a range of 0.25% to 2.0%.

A minimum annual fee of \$5000 applies for each account; however, the minimum fee may be reduced in special situations at the sole discretion of SeaBridge.

If a client terminates its relationship with SeaBridge, fees will be reimbursed on a pro rata basis for the quarter as of the date assets are removed from the firm's supervision. If a client opens an account or deposits additional funds during a quarter, fees for the quarter are also prorated.

SeaBridge serves as a **non-discretionary** adviser or sub-adviser to some accounts. Fees for these are as follows:

- For one account managed in the “Asia strategy”, a fee of 0.80% of assets under management is charged quarterly in advance.
- For another account managed in a variation of the “Asia Strategy”, a fee of 0.75% of assets under management is charged quarterly in arrears.
- For other accounts, managed under contract with FOURPOINTS Investment Managers SAS, a fee of 0.45%-0.50% of the net asset value of the fund is charged monthly in arrears.
- For four other accounts (where recommendations are made with regard to asset allocation, outside managers and some specific securities), a flat annual fee, ranging from \$1,200 to \$20,400 is charged, payable quarterly in arrears.

For both discretionary and non-discretionary accounts:

SeaBridge's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as management fees, custodial fees, transaction charges, ADR fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to SeaBridge's fee, and SeaBridge shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that SeaBridge considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

SeaBridge 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).

#### **Item 7 – Types of Clients**

SeaBridge provides portfolio management services to individuals, high net worth individuals, profit-sharing plans, charitable institutions, foundations, endowments, private investment funds, foreign funds such as UCITs, SICAVs and foreign investment companies, and other U.S. and international institutions and to investment companies.



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

Investing in securities involves risk of loss that clients should be prepared to bear.

SeaBridge manages equity portfolios which are subject to the general risks associated with portfolios invested in equities. Examples of risks include, but are not limited to, the following:

- There is a risk of loss of principal.
- There are no guarantees that the expectations of the SeaBridge portfolio managers with regard to the individual securities or companies will be realized.
- There is a risk that the securities chosen for a client's portfolio based on the client's investment strategy and risk tolerance may have more risk than the portfolio manager anticipated.
- There is a risk that securities purchased will not perform as expected; securities may lose all or part of their value.
- There is a risk that securities may rebound after sale from the portfolio and the account would not get the benefit of that price appreciation.

For portfolio styles which include foreign securities, the portfolios are subject to the risks of foreign equities in general. Examples of risks include, but are not limited to, the following:

- There is a risk that the value of an investment in foreign stocks will decline based on unfavorable changes in currency exchange rates.
- There is a risk that events in a particular country (e.g. political upheaval, natural disasters, or financial events) might cause stock prices in that country to fall.
- There is a risk that investors may become concerned about political stability, human rights issues or health issues in a particular country and sell securities, driving down prices.
- Since China is a driver of Asian regional economic growth, there is a risk that a slowdown in the Chinese economy may have a negative impact on companies that depend on the Chinese market for goods and services.

SeaBridge analyzes the prospects for an individual company and its stock using reported data, Wall Street research reports, company conference calls, economic and market commentaries, and analysis of the competitive environment for the company, the overall economy, political environment and markets. For investment in funds, SeaBridge reviews the fund characteristics, managers, expenses, results and (for closed-end funds) the premium or discount at which the fund is trading relative to net asset value (NAV).

For SeaBridge's "Longview Strategy" SeaBridge intends to supplement its own research with research provided by CKM Research LLC ("CKM") on securities which may be included in the Longview Strategy portfolios. Both the "concentrated" and the "diversified" versions of this strategy will be more concentrated than most other SeaBridge portfolios and will therefore be subject to additional security-specific risk.

SeaBridge also receives research services from J.W. Childs Asia Equities, Ltd for use in certain portfolios managed in variations of the "Asia Strategy".

SeaBridge's analysis and conclusions may be incorrect and the securities may not perform as expected.

#### **Item 9 – Disciplinary Information**

Registered investment advisers such as SeaBridge are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of SeaBridge or the integrity of SeaBridge's management. SeaBridge has no information applicable to this Item.

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

### **SeaBridge Capital Management**

Garnett Keith is Chairman of SeaBridge Capital Management (“SBCM”), a company he founded in 1996 to manage his family’s business affairs. Some associates of SeaBridge work with Garnett in SBCM on some initiatives.

#### **Garnett Keith**

Garnett Keith directly provides consulting services to family offices in Atlanta, New York, Paris and Hong Kong.

There could be potential conflicts of interest if Garnett Keith and/or SBCM recommended the services of SeaBridge to its consulting clients. To avoid any such conflict, Garnett Keith and SeaBridge would fully disclose the relationship and make it clear to potential clients that there was no requirement to choose SeaBridge to provide any services to such clients. There could potentially be a conflict if Garnett Keith and/or SBCM were to come into possession of any inside information on companies that SeaBridge might choose to include in client portfolios. In such circumstances, SeaBridge would put such security on a restricted list and refrain from executing trades in that security.

### **JW Childs Asia Equities**

SeaBridge has established a relationship with J.W. Childs Asia Equities (Hong Kong) Limited (“JWCAE”), a Hong Kong based investment firm, which was incorporated in November of 2006 and is licensed as an investment advisor and an investment management company with the Hong Kong Securities and Futures Commission (the “SFC”). JWCAE manages an Asia-focused listed equity portfolio on behalf of high net worth and institutional clients.

David Descalzi, President of SeaBridge, is an Executive Director of JWCAE and has supervisory responsibilities over its staff.

JWCAE is 100% owned by JW Childs Asia Equities, Ltd (“JWCAE Bermuda”), whose ultimate owners include a private equity investor based in Boston, David Descalzi, the management staff of JWCAE, and other investors.

Under sub-investment advisory contracts, SeaBridge has hired JWCAE Bermuda as a non-discretionary sub-adviser for two discretionary and one non-discretionary client accounts managed in the Asia strategy. SeaBridge pays a portion of management fees received on the

discretionary client accounts to JWCAE Bermuda as sub-adviser. SeaBridge also pays JWCAE Bermuda a research fee for research provided for individual accounts managed by SeaBridge (on a discretionary or non-discretionary basis) in specialized Asia strategies.

Staff members of JWCAE are subject to SeaBridge's compliance procedures, including its Code of Ethics. SeaBridge takes care that all clients of SeaBridge and JWCAE are treated fairly in all respects, including the allocation of investment ideas and the execution of trades.

#### **FOURPOINTS Investment Managers SAS and FOURPOINTS Asset Management, Inc ("FOURPOINTS")**

Garnett Keith serves on the board of the New York office of FOURPOINTS Investment Managers SAS, an institutional money manager located in Paris and New York. SeaBridge serves as an investment sub-adviser on either a discretionary or non-discretionary basis for various accounts managed by FOURPOINTS.

SeaBridge takes care that the client accounts are treated fairly, including the allocation of investment ideas and the execution of trades (for discretionary clients) or the opportunity to act on recommendations (for non-discretionary clients).

#### **POOLED INVESTMENT VEHICLES**

Garnett Keith is the Managing Member of one investment LLC (SeaBridge Asia Redux LLC) but there is no material conflict of interest associated with this.

SeaBridge Asia Redux LLC is an LLC for which SeaBridge acts as investment adviser pursuant to an investment advisory agreement with standard terms and conditions which have been ratified by an investment advisory committee independent of SeaBridge. Existing clients of SeaBridge (and members of SeaBridge Investment Advisors LLC) were offered the opportunity to invest in the LLC, which invests in publicly traded securities. SeaBridge receives compensation under the investment advisory agreements of the LLC. SeaBridge abides by SEC rules concerning custody of assets for pooled investment vehicles. Assets are held at qualified custodians and annual audited financial statements are delivered to members of the LLC within 120 days of the end of the fiscal year for SeaBridge Asia Redux LLC.

#### **OTHER ACTIVITIES**

Mr. Keith is a Trustee of The Howard Hughes Medical Institute, a philanthropic endowment. Mr. Keith serves as the Chairman of HHMI's Finance Committee, overseeing its investment programs. He is also Chairman of Whitecap Capital Company, a private investment company (CAPCO), which invests capital from insurance companies in privately held businesses.

He is an Investment Committee member of Fung Investments (Hong Kong). SeaBridge manages, on a non-discretionary basis, assets for portfolios for the Fung family. He is also a director of Heritage Brands Ltd, a private company which buys heritage brands in Europe for franchising in Asia and especially China.

Mr. Keith provides consulting services to Capital Guidance Ltd a privately owned investment firm based in Switzerland, with respect to global investment policy and private equity investments.

Mr. Keith is also on the Advisory Boards of Blue Sage II Fund, Thomas Capital, and Acceleration Resources. Thomas Capital serves as a Solicitor for SeaBridge. SeaBridge also manages individual portfolios for Sajan Thomas, President and CEO of Thomas Capital, his family and other associates of Thomas Capital.

Mr. Keith has an ownership interest in CKM Research LLC ("CKM") which provides research to SeaBridge for SeaBridge's "Longview Strategy" portfolios. SeaBridge pays CKM a research fee equal to a portion of the management fees SeaBridge collects from clients for their accounts managed in this strategy. As an owner of CKM, Mr. Keith will get some benefit of these fees paid by SeaBridge to CKM.

These activities generally do not present material conflicts of interest. In their participation in any outside activities, SeaBridge associates keep in mind the need to always act in the best interests of SeaBridge clients and to maintain the confidentiality of SeaBridge clients. Also, if, in the course of these or any other activities, any SeaBridge associate receives information which may constitute material, nonpublic information, the associate (i) should not buy or sell any securities, including options or other securities convertible into or exchangeable for such securities, for a personal account or a client account, (ii) should not communicate such information to any other person (other than the Chief Compliance Officer) and (iii) should discuss promptly such information with SeaBridge's Chief Compliance Officer.

#### **Item 11 – Code of Ethics**

It is the policy of SeaBridge that SeaBridge will always act in the best interest of its clients, as SeaBridge understands them. SeaBridge and all of its associates should abide by the firm's Code of Ethics.

SeaBridge itself does not invest in securities generally, but may from time to time invest its cash in bonds or other cash investments. Should SeaBridge purchase for itself securities being considered for clients, such purchases will be done through the firm's trading desk following compliance rules which put client interests ahead of SeaBridge's. All persons associated with

SeaBridge are prohibited from recommending securities which place or appear to place their own interests above that of any client.

All trades for a SeaBridge associate's personal or beneficially owned account must be executed in accordance with compliance rules which put client interests ahead of employee interests. Trades for a SeaBridge associate's portfolio which is managed by SeaBridge are treated in a manner consistent with other SeaBridge client portfolios.

### **Code of Ethics:**

SeaBridge has a Code of Ethics specifying that SeaBridge will adhere to the highest legal and ethical standards in conducting its business. All clients of SeaBridge receive a copy of the Code of Ethics and any client or prospective client may request a copy by contacting SeaBridge.

The Code of Ethics states that, as fiduciary, SeaBridge will render professional, continuous, and unbiased investment advice, acting at all times in the client's best interests and avoiding, where possible, conflicts of interests (and disclosing conflicts if they exist). SeaBridge's Compliance Manual sets forth guidelines and procedures to be followed by SeaBridge, its designated compliance officers and all associates in order for them to fully comply with fiduciary standards and all laws, rules and regulations governing investment adviser activities. The Compliance Manual also details other policies and procedures which associates must follow.

All associates must:

1. Always place the interests of clients first;
2. Conduct all personal securities transactions in a manner consistent with this code of ethics, avoiding any actual or potential conflict of interest;
3. Never take inappropriate advantage of their positions;
4. Maintain the confidentiality of client and firm information;
5. Execute their responsibilities in a professional and ethical manner; and
6. Take appropriate action with regard to any illegal or unethical practices that come to their attention.

All associates have an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. They should try to avoid conflicts of interest and fully disclose all material facts concerning any conflict that does arise with respect to any client.

Any associate who becomes aware of a violation of the code of ethics must report that violation to the Chief Compliance Officer or to the Chairman.

All supervised persons at SeaBridge must acknowledge the terms of the Code of Ethics annually, or as amended.

Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between SeaBridge and its clients.

It is SeaBridge's policy that the firm will not execute any principal or agency cross securities transactions for client accounts. SeaBridge will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

SeaBridge does not maintain custody of discretionary client assets (except insofar as it has the ability to deduct management fees from a particular client account: see Item 15 – Custody, below or where SeaBridge is deemed to have custody based on a SeaBridge associate serving as Managing Member of an LLC managed by SeaBridge, in which case appropriate procedures are instituted). Client assets are maintained in an account at a "qualified custodian," generally a broker/dealer or bank.

### **Schwab**

SeaBridge generally recommends that individual clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (**Schwab**), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although SeaBridge may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Individual clients open their accounts with

Schwab by entering into an account agreement directly with Schwab. SeaBridge does not open the account, although SeaBridge may assist clients in doing so. Even though client accounts may be maintained at Schwab, SeaBridge can still use other brokers to execute trades as described below. SeaBridge is independently owned and operated and not affiliated with Schwab.

Schwab provides SeaBridge with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional.

These services are not contingent upon SeaBridge committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For SeaBridge client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to SeaBridge other products and services that benefit SeaBridge but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of SeaBridge's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist SeaBridge in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of SeaBridge's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help SeaBridge manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; and (ii) publications and conferences on practice management and business succession. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to SeaBridge. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party



providing these services to SeaBridge. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of SeaBridge personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, SeaBridge may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Wells Fargo (Merlin)/JPMorgan**

One client has a relationship with Wells Fargo Securities (formerly Merlin Securities), a NASD registered broker dealer with a custodial, clearing relationship with JPMorgan Clearing Corp. For this account, some transactions may be done through JPMorgan Securities Corp or through Wells Fargo Securities. JPMorgan provides research services (which may benefit accounts other than the account for which trades are executed). JPMorgan and Wells Fargo Securities provide account statements for the client account. Wells Fargo Securities also provides online access to SeaBridge for information about the client account. JPMorgan and Wells Fargo charge custody fees to the client account.

### **Union Bank**

SeaBridge is a sub-adviser to GENESIS CAPITAL, LLC for two mutual funds, each a series of the NORTHERN LIGHTS FUND. These funds have custody at Union Bank. Genesis Capital also utilizes Wells Fargo Securities and JP Morgan Clearing Corp for prime broker services and information about the funds. Union Bank provides transaction data and information on corporate actions and dividends to SeaBridge for the funds that SeaBridge manages.

### **Houston Trust Company**

SeaBridge manages three portfolios for which custody of the assets are at Houston Trust Company. Houston Trust provides transaction data and information on corporate actions and dividends to SeaBridge for the funds that SeaBridge manages.

### **J.P. Morgan Chase Bank NA ("JPM")**

SeaBridge manages portfolios for one client for which custody is at JPM. JPM provides transaction data and information on corporate actions and dividends to SeaBridge for the funds that SeaBridge manages. All foreign trades for these accounts must be done through JPM for administrative reasons. These trades may have higher transactions costs than trades done through other brokers.

## **Other Brokers**

For **all** discretionary accounts, SeaBridge may select brokers for trading based on their ability to obtain best execution of a particular transaction, which includes such factors as price, execution quality, settlement efficiency, knowledge of markets, and research coverage (either directly or through a third party). Research includes both macro and security-specific research from brokers. Research services provided by a broker through whom SeaBridge executes trades for a particular client may be used by any or all of SeaBridge's clients. A client of SeaBridge may or may not use all of the services provided by the broker executing a trade for the client's account. SeaBridge will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to seek to achieve best execution consistent with the services provided by the broker. Although SeaBridge will generally seek competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. The broker may provide services such as those described above or the transactions themselves may involve specialized handling on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

SeaBridge monitors commission rates and reviews the allocation of commissions to brokers at least twice a year.

## **Directed Brokerage**

SeaBridge generally has the discretionary authority to determine and direct execution of portfolio transactions within the client's specified investment objectives without prior consultation with the client on a transaction-by-transaction basis.

In some cases, certain clients may limit Adviser's discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements and may direct SeaBridge to place transactions for their accounts with a particular broker-dealer, to, among other things, defray consulting fees or other fees. Where a client directs the use of a particular broker-dealer, SeaBridge may be unable to achieve most favorable execution of client transactions and the client may pay more in execution fees than if SeaBridge was permitted to choose the executing broker. In such cases, SeaBridge may not have as much discretion in determining the terms of how an order will be handled with such broker-dealer and may not be able to freely negotiate commission rates. In addition, SeaBridge may not be able to aggregate

the client's orders with other client orders to reduce transaction costs. As a result, designating use of a particular broker-dealer may cause a client to pay higher commissions or receive less favorable net prices than would be the case if SeaBridge were authorized to choose the broker-dealer through which to execute the transaction for the client's account. Lastly, in an effort to achieve orderly execution of transactions, execution of orders for clients that have designated particular brokers may, in certain circumstances, be delayed until after SeaBridge completes the execution of non-designated orders; however, SeaBridge does not currently delay such transactions.

### **Trade Errors**

In the event SeaBridge makes an error in placement, execution or settlement of a trade order on behalf of clients SeaBridge may place a correcting trade with the broker. SeaBridge will insure there is no negative financial impact to the client. If an investment gain results from the correcting trade, the gain will remain in the client account unless (1) the same error involved other client account(s) that should have received the gain, (2) it is not permissible for the client to retain the gain, or (3) the client decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the client account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, SeaBridge will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in a client account, they may be netted. If the error was with another broker, SeaBridge would pay that broker for the loss, unless it is small and the broker chooses not to be reimbursed.

### **Trade Aggregation and Allocation**

SeaBridge generally aggregates trade orders for clients. Unless there are client-specific reasons to execute a trade for a specific account, SeaBridge generally reviews securities in the context of a particular investment strategy and recommends actions to take for that strategy as a whole (e.g. buy/sell/increase/trim/ take gains/ take losses, etc). SeaBridge will generally look across all accounts managed in that strategy and determine whether the action is appropriate for each particular account, taking into account factors such as the client's specific objectives and restrictions, the account cash level, current holdings, tax status, etc. SeaBridge then determines the number of shares to buy for each account and prepares a block order for execution. SeaBridge chooses the broker to execute and may place all or part of the order for execution. If the entire order is executed in one day, each account receives its specified number of shares at the same average gross price (before commissions). Note that after-

commission price may vary among accounts depending on commission criteria (e.g. if an account qualifies for a discounted commission based on account size or acceptance of electronic delivery of reports). If the entire order is not executed in one day (e.g. because of liquidity or price movement), generally the accounts in the original trade program are sorted in a random order and the trade execution is allocated sequentially with all accounts participating in a specific day's allocation getting the same average gross price on that day. If individual accounts are targeted to receive a large position, a partial allocation may be made to the individual account (taking into account cost-efficient trading sizes). The allocation continues the next time a trade for this security is executed in the established random order for that particular trade order (after review before placing the remaining order that no circumstances have changed which should result in a change to the order for a specific account). In some cases, accounts are prioritized according to other criteria, for example, need for cash or need for tax losses or investment strategy. In some other cases, a pro rata portion of the order is allocated to each account participating in the order each day a partial order is executed, particularly if such multiple allocations would not result in excessive transactions costs.

### **Item 13 – Review of Accounts**

SeaBridge reviews client portfolios on an ongoing basis. Individual portfolios generally fall within a specific investment strategy. The portfolio manager reviews the investments for the specific investment strategy on a regular basis, and periodically reviews individual accounts within the strategy relative to their objectives and risk tolerance.

- Mr. Keith is Chairman of SeaBridge and manager of the International, Global Trust, Longview and other specialized style portfolios; Howard Chin, with input from Mr. Keith, manages the Yield Growth and Cautious Core style portfolios;
- Mr. Conti, Vice Chairman, manages the Core Global style;
- Mr. Descalzi, President, manages the Asia strategy;
- Ms. Boyd, Managing Director, is Chief Compliance Officer of SeaBridge and reviews individual accounts with respect to the objectives and restrictions of the accounts and their conformity to other portfolios in the particular investment strategy.

Mr. Keith, Mr. Conti, Mr. Descalzi and Ms. Boyd are members of the investment committee; each is a seasoned investment professional.

There are currently approximately 350 individual accounts.

Clients receive a report on investment outlook, portfolio strategy, and investment results at the end of each quarter.

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

SeaBridge has a Solicitor's Agreement with **Sterne Agee Investment Advisors, Inc.** ("Sterne Agee"), a securities broker/dealer and Investment Advisor whose clients, from time to time, seek referrals for investment management or advisory services. In response to such client requests, Sterne Agee may recommend SeaBridge's investment advisory services to certain of its clients, tangential to Sterne Agee's services. Its role as solicitor is limited to that of introducing prospective clients to SeaBridge. If SeaBridge accepts a client introduced by Sterne Agee, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to Sterne Agee, a portion of such investment advisory fee.

SeaBridge has a Solicitor's Agreement with **Thomas Capital Group, Inc.** ("TCG"), a securities broker/dealer. TCG may identify prospective clients who may be interested in SeaBridge's investment advisory services, introduce such prospects to SeaBridge and facilitate communications with those prospects. If SeaBridge accepts a client introduced by TCG, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to TCG, a portion of such investment advisory fee.

SeaBridge has a Solicitor's Agreement with **James Campbell.** ("Campbell"), a financial and business consultant. Campbell may identify prospective clients who may be interested in SeaBridge's investment advisory services and introduce such prospects to SeaBridge. If SeaBridge accepts a client introduced by Campbell, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to Campbell, a portion of such investment advisory fee.

SeaBridge has a Solicitor's Agreement with **Geneos Wealth Management Inc. ("GWM")** an investment advisor registered with the Securities and Exchange Commission (the "SEC") whose clients, from time to time, seek referrals for investment management or advisory services. GWM may identify prospective clients who may be interested in SeaBridge's investment advisory services and introduce such prospects to SeaBridge. If SeaBridge accepts a client introduced by GWM, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to GWM, a portion of such investment advisory fee.

SeaBridge has a Solicitor's Agreement with **ProVise Management Group, LLC ("PROVISE")**, a registered investment adviser and financial planning and investment management firm. PROVISE may identify prospective clients who may be interested in SeaBridge's investment advisory services and introduce such prospects to SeaBridge. If SeaBridge accepts a client introduced by PROVISE, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to PROVISE, a portion of such investment advisory fee.

SeaBridge has a Solicitor's Agreement with **The Novo Agency ("NOVO")**, a business consultant whose clients, from time to time, seek referrals for investment management or advisory services. NOVO may identify prospective clients who may be interested in SeaBridge's investment advisory services and introduce such prospects to SeaBridge. If SeaBridge accepts a client introduced by NOVO, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to NOVO, a portion of such investment advisory fee.

Certain **staff members** of SeaBridge may receive compensation from SeaBridge which is related to the fees received by SeaBridge for accounts which those staff members introduced to SeaBridge.

SeaBridge receives an economic benefit from the custodian for the client account (e.g. Schwab) in the form of the products and services it makes available to SeaBridge as the investment adviser for the account. These products and services, how they may benefit SeaBridge, and the resulting potential conflicts of interest are described above. (See Item 12 – Brokerage Practices). The availability to SeaBridge of these products and services is not based on SeaBridge giving any particular investment advice such as buying particular securities for clients.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SeaBridge urges clients to carefully review such statements and compare such official custodial records to the account statements that SeaBridge provides. SeaBridge statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Under government regulations, SeaBridge is deemed to have custody of client assets if the client authorizes SeaBridge to deduct management fees directly from the client's account. The custodian (e.g. Schwab) maintains actual custody of the assets.

## **Item 16 – Investment Discretion**

SeaBridge usually receives 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. In all cases, however, SeaBridge exercises such discretion in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, SeaBridge observes the investment policies, limitations and restrictions of the clients for which it advises.

Clients should provide their investment guidelines and restrictions to SeaBridge at the outset of the investment management relationship and should update those guidelines and restrictions as appropriate. SeaBridge specifically reminds clients to do so at least once a year.

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

Clients may obtain a copy of SeaBridge's complete proxy voting policies and procedures upon request. Clients may also obtain information from SeaBridge about how SeaBridge voted any proxies on behalf of their account(s).

In voting proxies for client discretionary accounts SeaBridge generally will:

- Vote with management on routine matters.
- Analyze the impact of other issues and vote on a case-by-case basis.
- Abstain on social, political or environmental resolutions unless its evaluation concludes that the economic impact of the proposal may be negative.

If an issue were to arise related to the vote of a proxy for a client account that represented a conflict between the interests of SBIA and the client, that issue would be considered by SBIA's investment committee to insure that the vote is made in the interests of the client.

SBIA maintains records on the proxies it receives and votes for client accounts.

**Item 18 – Financial Information**

Registered investment advisers such as SeaBridge are required in this Item to provide certain financial information or disclosures about their financial condition. SeaBridge has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

**Item 19 – Requirements for State-Registered Advisers**

NA