

Bower Hill Capital Management LLC  
Form ADV Part 2A – Disclosure Brochure  
September 4, 2015

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This brochure provides information about the qualifications and business practices of Bower Hill Capital Management LLC. If you have any questions about the contents of this brochure, please contact Marc A. Zabicki, our President, Chief Investment Officer and Chief Compliance Officer, at (412) 278-1527. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

You can find more information about us at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This is our first firm brochure, so there are no material changes at this time. In the future, this Item will be used to provide clients with a summary of new and/or updated information. Clients will receive a summary of any material changes to this brochure within 120 days of the close of our fiscal year. Furthermore, we will provide clients with other interim disclosures about material changes as necessary.

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## Item 4 – Advisory Business

### The Company

Bower Hill Capital Management LLC (“we,” “us” or “Bower Hill”) is an investment adviser registered with the SEC.<sup>1</sup> Bower Hill was founded in July of 2015 by its principal owner, Marc A. Zabicki. We are headquartered in Presto, Pennsylvania.

### Advisory Services

#### Investment Philosophy

Many investing strategies employed by us share a common philosophy: seek to participate in upside asset price momentum while engaging in systematic methods to avoid substantial losses. The employment of downside protection strategies, or portfolios designed primarily to win by avoiding substantial losses, is an approach that has shown to benefit portfolio performance over the long term. We believe that applying systematic, rules-based investment processes focused on aligning portfolio exposures with trends in capital markets may prove to be a successful investment approach. Our investment philosophy is grounded in a disciplined approach to allocating assets consistently based on what we believe are the highest probability events. Our investment focus is not on beating the benchmark each year, for we believe attempts at beating the benchmark annually may expose the portfolio to excessive risk. Instead, we attempt to participate in upside asset class trends while focusing on avoiding material losses that may significantly erode a portfolio’s value. We believe this approach may result in portfolio results that beat the benchmark over the long-term while assuming less risk.

In providing our services, we use proprietary strategic and tactical asset allocation investment processes and models to help guide investment decisions in various financial market environments, and we generally invest our clients’ assets in exchange-traded funds (“ETFs”) and individual equity securities. However, we may use a wide range of different securities to construct client portfolios. Our investment strategies are more fully described below in Item 8.

#### Our Services

Bower Hill serves broker-dealers and registered investment advisors (“financial intermediaries”) as a third-party asset manager and financial market research consultant.

*Separate Accounts.* Bower Hill provides discretionary investment advisory services to separate account clients primarily through financial intermediaries, often through wrap fee programs (see below). After consultation with their primary advisor, separate account clients select a Bower Hill investment strategy appropriate for their risk tolerance and investment objectives. Clients are permitted to impose reasonable restrictions on the strategy managed by us if such restrictions are not materially different from a strategy’s investment objectives. Clients who impose investment restrictions should be aware that the performance of their accounts may differ from that of client accounts which do not impose such investment restrictions.

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<sup>1</sup> Registration as an investment adviser does not imply a certain level of skill or training.

*Wrap Fee Programs.* Bower Hill provides portfolio management services to accounts under wrap fee programs sponsored by other firms or “wrap sponsors.” The wrap sponsors recommend, and assist clients in selecting, an appropriate Bower Hill investment strategy, taking into account their financial situation and investment objectives. Bower Hill’s role is to manage the client’s account according to the strategy selected. In a wrap fee program, the wrap sponsor may provide investment advisory, execution and custodial services to clients in return for an all-inclusive – or “wrap” – fee paid to the sponsor. We receive a portion of the wrap fee for the portfolio management services we provide, and there are no differences between how we manage wrap fee program accounts and how we manage other accounts. We will allow reasonable investment restrictions if they do not differ materially from a strategy’s investment objectives. Clients who impose investment restrictions should be aware that the performance of their accounts may differ from client accounts which do not impose such investment restrictions.

*Model Portfolio Licensing.* We may license a model portfolio of securities designed by us for use by other financial intermediaries for their clients. Bower Hill will design, monitor and provide regular updates to the models or strategies it manages. Based on the information and recommendations provided by Bower Hill, financial intermediaries then implement the model for their clients at their discretion.

*Consulting Services.* We may provide clients with financial consulting services on various matters related to investment management and capital market research.

### Suitability

Other than accepting reasonable investment restrictions from clients as described above, Bower Hill does not generally tailor its advisory services based on its analysis of the individual needs of clients. Instead, for separate account and wrap program clients that are referred to Bower Hill through a financial intermediary, as well as for financial intermediaries utilizing Bower Hill model portfolios, the referring intermediary is responsible for the initial determination of client suitability for the selected strategy or model managed by Bower Hill. The financial intermediary is also responsible for the ongoing review of a client’s objectives, and for communicating any changes in financial condition of a client to us. While Bower Hill recognizes its fiduciary duty to its clients, we rely on information provided by the financial intermediaries when providing our services.

### Assets Under Management

As of September 4, 2015, we have no assets under management. Client assets managed by us are managed on a discretionary or nondiscretionary basis.

## Item 5 – Fees and Compensation

### Amount of Our Fees

#### Separate Accounts, Wrap Fee Accounts, and Model Portfolio Licensing

We calculate our fees as a percentage of the assets we manage for our clients. Our standard fee schedules are below (fees shown are on an annual basis).

<b>Separate Accounts</b>
<ul style="list-style-type: none"><li>• 0.60% on the first \$5 million</li><li>• 0.55% on the next \$5 million</li><li>• 0.50% on the next \$5 million</li><li>• 0.45% on the next \$5 million</li><li>• 0.40% on amounts over \$20 million</li></ul>
<b>Wrap Fee Accounts; Model Portfolio Licensing</b>
<ul style="list-style-type: none"><li>• 0.60% on the first \$50 million</li><li>• 0.55% on the next \$200 million</li><li>• 0.50% on the next \$250 million</li><li>• 0.45% on the next \$250 million</li><li>• 0.40% on amounts over \$750 million</li></ul>

Our advisory fees are negotiable. Some clients pay more or less than others depending on certain factors, including the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a group of related clients.

With respect to our wrap fee accounts, depending on the amount of the wrap fee charged by the sponsor, the portfolio activity in the account, the value of other services provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services, if they were to be provided separately and if we were free to negotiate commissions and seek the best price and execution of transactions for the client's account. See "Wrap Fee Programs" in Item 12 below for additional information about brokerage for these programs.

#### Consulting Services

As stated above in Item 4, we may provide clients with financial consulting services on various matters related to investment management and capital market research. We typically charge clients a fixed fee for such services that varies based on the scope of the work provided.

## **Payment of Our Fees**

### **Separate Account and Model Portfolio Licensing Fees**

Our fees are generally paid in advance. Depending on our agreement with each client or financial intermediary, at the beginning of each quarter, we will either deduct our fees directly from client accounts or send an invoice for the payment of our advisory fee. Our fees are based on the value of the assets managed at the beginning of the applicable quarter. If an advisory agreement with us begins during a quarter, we will prorate the fee for the initial partial quarter, based on the number of days from the beginning of the agreement until the end of the initial quarter.

If we deduct fees directly from a client account, and there is not enough cash in the account to pay our fee, we may sell some account assets to pay the fee.

Our advisory agreement may be terminated on 30 days' written notice by either party. If the agreement with us terminates during a quarter, we will refund a pro rata portion of the fee paid for that quarter, based on the number of days between the end of the 30-day notice period and the end of the quarter.

Other than at the beginning and termination of a client relationship, we do not make adjustments to quarterly fee due to assets added or withdrawn during a quarter.

### **Wrap Fee Program Account Fees**

Our fees are generally paid quarterly in advance by financial intermediaries out of the single fee paid for the wrap fee program, which covers our investment management services and the costs of executing trades. Our fees are based on the value of the assets in client accounts at the beginning the applicable quarter. Fees are pro-rated for partial periods. If the agreement with us terminates during a quarter, we will refund a pro rata portion of the fee paid for that quarter, based on the number of days between the effective date of the termination and the end of the quarter. Other than at the beginning and termination of a client relationship, we do not make adjustments to our quarterly fee due to assets added or withdrawn during a quarter.

### **Consulting Fees**

Our fees for our financial consulting services are fixed, and are generally payable in advance and in full, unless terms are otherwise negotiated.

## **Other Fees**

Fees in addition to our fees will be incurred in client accounts holding exchange traded funds ("ETFs") or other investment companies (like mutual funds). For example, accounts will incur an annual management fee payable to the manager of the fund. These fees and expenses are described in each fund's prospectus, and they are not shared with us. We evaluate the relative annual costs of investing in ETFs and other investment companies as a part of our investment decision making process. Clients should review the fees charged by the investment

companies and our fees to fully understand the total amount of fees paid and to evaluate the advisory services we provide.

Except for our wrap fee program clients, clients may also incur brokerage and other transaction costs, as discussed below in Item 12.

### **Compensation from Sales of Securities**

We do not accept compensation for the sale of securities or other investment products.

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

We do not accept “performance-based fees” (fees based on a share of capital gains on or capital appreciation of your assets).

## **Item 7 – Types of Clients**

### **Types of Clients**

We generally provide asset management services and advice to individuals through their financial intermediaries and to financial institutions, such as broker-dealers and registered investment advisers.

### **Minimum Account Size**

Clients for whom we execute an equity-based strategy (such as our equity dividend strategies) must generally have at least \$250,000 of total assets invested in that strategy. We do not generally impose a minimum account size on other clients. We reserve the right to waive minimum account size requirements at our discretion.

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

### **Methods of Analysis**

We use the following methods of analysis to manage your assets:

- *Fundamental Analysis.* The success of our strategies depends in large part on our ability to accurately assess the fundamental value of securities and capital markets in general. An accurate assessment of fundamental value depends on a complex analysis of a number of economic, financial, operating, legal and other factors. No assurance can be given that we can assess the nature and magnitude of all material factors having a bearing on the value of securities.
- *Technical Analysis.* In implementing our investment strategies, we may also utilize technical analysis, which is the study of asset prices and their movement as



influenced by the supply and demand for a particular security. Although employing these techniques may expand the opportunity for gain, it also carries the risks of volatility and loss.

- *Cyclical Analysis.* Economic/business cycles may not be predictable and may have many fluctuations between periods of economic or market expansion and contraction. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

In performing our analysis, our judgment about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities we select will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, or our approach may fail to produce the intended results. Our estimate of a security's intrinsic value may be wrong or, even if our estimate of intrinsic value is correct, it may take a long time before the price and intrinsic value converge. As a result, there is a risk of loss of the assets we manage that is out of our control. Although we will do our best in managing your assets, we cannot guarantee any level of performance or that you will not experience a loss in your assets.

Additionally, in performing our analysis, we may use commercially available information services and financial publications, research materials prepared by various broker-dealers and other research developed by other third-party providers. Our methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

### **Our Strategies**

We currently use the following types of strategies to manage client assets, each of which is described further below:

- tactical core ETF strategies
- tactical ETF income strategies
- equity dividend strategies

*Tactical Core ETF Strategies.* The primary objectives of these strategies are to (i) align capital with specific asset classes during sustained rallies and (ii) position defensively or adjust asset class exposures in deteriorating market conditions. Our tactical philosophy is that disciplined, rules-based investment approaches may generate enhanced risk-adjusted returns over time. We believe that the concept of chasing benchmark-beating returns on an annual basis requires assuming too much risk in a portfolio. Through detailed analysis, we quantify the

premises behind our strategies and seek to identify persistent trends in asset prices. The underlying premise of our tactical core ETF strategies is that asset prices are driven by changes in investor sentiment and equity risk premiums and that these premiums vary with time and the business cycle. We believe that during periods of market stress, and conversely market exuberance, asset price variation is due in part to trend changes in investor sentiment. By monitoring trends in asset prices, investor sentiment and fundamental market conditions, we seek to identify times when certain asset exposure is more or less favorable and adjust the portfolio allocation accordingly. Conversely, during times when investors' risk tolerance and sentiment are low and asset prices are deteriorating, we align portfolio exposures defensively and may seek exposures in those asset classes not correlated with the broader market. Our tactical core ETF strategies are offered across various asset classes, risk tolerances, and geographies.

*Tactical ETF Income Strategies.* These strategies seek to optimize portfolio income while assuming moderate levels of risk, and they invest in various ETFs that may include equity, bond, alternative asset or multi-asset exposures. We adjust ETF exposures to account for changing trends in asset prices, investor sentiment, market risk premiums and fundamental market conditions. Given that the strategies' goal is income, portfolios invested pursuant to these strategies are expected to remain near fully-invested at all times.

*Equity Dividend Strategies.* These strategies seek to generate attractive risk-adjusted returns via fundamental evaluation of company prospects and a company's ability to pay and grow its dividend streams over time. These strategies primarily use individual equities, and portfolios invested pursuant to these strategies are expected to remain nearly fully invested at all times. We initially screen to include those companies (i) paying material dividends, (ii) expected to grow their dividends, (iii) expecting attractive growth in their businesses going forward, and (iv) with strong fundamental operating attributes. Once this comprehensive screen has been established, a bottom-up fundamental evaluation takes place for final selection of stocks for a concentrated portfolio. Portfolios managed pursuant to these strategies are expected to maintain a standard deviation less than that of the S&P 500 Total Return Index.

*Other Strategies.* Bower Hill may develop strategies in addition to those listed above. The strategy or strategies we use for a client's account will be disclosed by us or the client's financial intermediary.

#### Risks Associated with Our Strategies - General

All investments in securities include a risk of lost principal (invested amount) and any profits that have not been realized. Clients should be prepared to bear the risk that financial asset prices may fluctuate substantially over time. In addition, as recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

Our advisory agreement states that we are not liable for:

- any loss suffered because of any investment decision we make or other action we take or do not take in accordance with our advisory agreement
- any loss suffered because we follow a client's oral or written instructions

- any act or failure to act by any custodian, broker or other financial intermediary

Nevertheless, nothing in our advisory agreement constitutes a waiver of any legal right under applicable federal or state securities laws or any other law whose applicability may not be waived through contract. If there is a discrepancy between the information in this brochure and a client's agreement with us, the client agreement will control.

In addition, the execution of our strategies may involve frequent trading. Frequent trading may result in higher transactional costs and may adversely affect investment performance. Frequent trading may also cause adverse tax consequences for a client.

### Risks Associated with Our Primary Client Investments

In the execution of our strategies, we principally invest client assets in ETFs and individual equity securities. Our strategies may subject clients to the following risks:

- *Correlation Risk:* The price of equity securities and fixed income securities, as well as other asset classes, often rise and fall at different times so that a fall in the price of one may be offset by a rise in the price of the other. In deteriorating markets, the prices of securities within and across asset classes may fall in tandem. Because our strategies allocate investments targeted in one asset class or across asset classes, the strategies are subject to correlation risk.
- *Credit Risk:* Issuers of fixed income securities may not make interest or principal payments on securities, resulting in losses to an investor. In addition, the credit quality of an issuer's securities may be lowered if an issuer's financial condition changes, including the U.S. government.
- *Derivatives Risk:* Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives or other instruments used by ETFs to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.
- *Diversification Risk:* A client's portfolio may be limited to only a few investments. As a result, the client's performance may be more sensitive to any single economic, business, political or regulatory occurrence, relative to the value of a more diversified portfolio.
- *Emerging Market Risk:* Emerging market countries may have relatively unstable governments, weaker economies and less-developed legal systems with fewer

security holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.

- *ETF Risk:* ETFs are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of the investment strategy will be higher than the cost of investing directly in ETFs. In addition, ETFs are subject to specific risks, depending on the nature of the fund. ETFs are professionally managed pooled investment vehicles that invest in stocks, bonds, short-term money market instruments, other ETFs, derivatives and other securities, or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. While ETFs may provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money), or concentrate in a particular type of security rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values and there is no guarantee this relationship will resolve itself.
- *Fixed Income Risk:* A client may invest in fixed income securities, directly or through ETFs. The credit quality rating of securities may be lowered if an issuer's financial condition deteriorates and issuers may default on their interest and/or principal payments. Typically, a rise in interest rates causes a decline in the value of fixed income securities.
- *Foreign Investment Risk:* Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.
- *Key Personnel Risk:* The success of our strategies depends greatly on the investment skills of our principals and key personnel. Performance of a client's portfolio could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Leverage Risk:* Leverage (borrowing) may be used in investment and trading, generally through purchasing inherently leveraged instruments, such as certain ETFs. The prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested. Borrowing magnifies the potential for losses and exposes the client to interest expense on money borrowed. Leveraged ETFs and derivatives will amplify losses because they are designed to produce returns that are a multiple of the equity index to which they are linked.

- *Leveraged ETF Risk:* ETFs may use leverage, which may amplify gains and losses. Most leveraged ETFs reset their leverage daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time.
- *Market Risk:* Overall equity, fixed income and alternative securities market risks affect the value of a client's portfolio. Factors such as domestic or global economic growth, market conditions, interest rate levels and political events affect the securities markets.
- *Options Risk:* There are numerous risks associated with transactions in options on securities. A decision as to whether, when and how to write options and purchase options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.
- *Small and Medium Capitalization Stock Risk:* A client may invest directly or through ETFs in companies of any size capitalization. The price of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than larger, more established companies or the major market indices in general.
- *Turnover Risk:* A higher portfolio turnover may result in higher transactional and brokerage costs and could result in higher taxes when a client's investments are held in a taxable account.
- *U.S. Government Securities Risk:* Although U.S. government securities are considered among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.
- *Strategy Risks:* The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of us or the integrity of our management.

Bower Hill has no legal or disciplinary events to report.<sup>2</sup>

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

We are obligated to disclose if we, any of our employees and independent contractors, or any of our affiliates are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers.

Scioto Wealth Strategies LLC is an investment adviser that is anticipated to hold a non-controlling interest in our firm and refers clients to us. In addition, Bower Hill anticipates holding a non-controlling interest in Scioto Wealth Strategies LLC. Other than this, we do not have any other financial industry activities or affiliations to report. In addition, we do not receive compensation from other advisers for recommending or selecting them.

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

### **Code of Ethics**

We expect our supervised persons to always act in the best interest of our clients, and to place the interests of our clients ahead of their own. We have adopted a Code of Ethics (the “Code”) that sets forth the standard of business conduct expected from each member of our team.

The Code restricts trading in any security for which we believe we may be privy to material non-public information. It also restricts personal trading activities to prevent any conflict of interest between personal trading and client trading. The Code limits gifts and entertainment, whether received or given, to avoid conflicts of interests. The Code causes all outside business activities of our team members to be disclosed so that potential conflicts can be detected and addressed. Finally, it limits the political contributions of our managers and employees to prevent any potential conflicts in that area as well. All our managers and

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<sup>2</sup> We note that registered advisors are required to report, in Part 1A of Form ADV, all disciplinary events regardless of whether they are material. Bower Hill has no disciplinary events of any kind to report.

employees must accept in writing the terms of the Code upon employment, annually, and as amended.

We will provide a copy of the Code to any client or prospective client upon request by contacting the firm's Chief Compliance Officer at the telephone number or the address specified on the cover page of this brochure.

### **Participation or Interest in Client Transactions and Personal Trading**

We and/or our supervised persons may (i) buy or sell the same securities or related securities (for example, warrants, options or futures) that we buy or sell for our clients, (ii) buy or sell securities for our own accounts at the same time that we buy or sell the same securities for client accounts, or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders. To address any potential conflicts of interest from this practice, we and our employees may not trade in a manner that would be adverse or detrimental to client trades, and we always allocate partially filled orders to client accounts before allocating to our (or a supervised person's) account.

We do not buy or sell securities for client accounts if we and/or one of our supervised persons have a material financial interest in the issuer or the securities.

## **Item 12 – Brokerage Practices**

### **Broker Selection**

Our management discretion generally includes the selection of the security, the amount to be purchased or sold, the broker to be used, and the commission to be paid. We select brokers for our clients on the basis of the broker's overall assistance in effecting the transaction. We consider many factors, including:

- financial condition
- reputation and access to the markets for the securities being traded
- level of trading expertise and capability
- infrastructure
- availability of alternative trading options that may be necessary due to technology developments and market changes
- commission rates
- responsiveness

We do not consider, in selecting brokers, whether we or an affiliate receives client referrals from a broker or third party.

We do not enter into agreements to receive research or other products or services in connection with executing client transactions with broker-dealers (often called “soft dollar” benefits). However, certain brokers through which we execute trades may provide unsolicited proprietary research (research the broker creates) to us. This research is used for all client accounts, even though only certain clients may have paid commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections.

Commission rates paid may be higher than the lowest commission rate available. Custodians generally charges a minimum fee for each transaction in a client account. Because of this minimum fee, it often is not economically feasible to select any broker other than your custodian for your equity and ETF transactions.

*No Directed Brokerage.* Except for wrap fee program clients, we generally do not permit clients to direct us to effect securities transactions in client accounts through a specific broker-dealer.

### **Trade Aggregation and Allocation**

To obtain more favorable order execution, lower per-share brokerage costs and consistent results across our client base, we aggregate (combine) contemporaneous buy or sell orders for the same securities, with applicable accounts participating in the aggregated order on a fair and equitable basis. This means that the allocation of the securities purchased is typically proportionate to the size of the account, and is not based on account performance or the amount or structure of management fees. We may use third party software to assist us in trade aggregation and allocation. Accounts owned by Bower Hill or its employees may participate in aggregated orders; however, neither the firm nor its employees will be given preferential treatment.

Occasionally, we may only partially fill an aggregated order. Under those circumstances and to the extent it makes practical sense, we allocate the order on a pro rata basis among the applicable clients and do not allocate to firm or employee accounts unless all client orders are fully filled.

Exceptions to the pro rata allocation of partially filled orders may occur for several reasons, such as the avoidance of odd lots or de minimis numbers of shares, or sensitivity to total transaction cost. If we cannot feasibly allocate partially filled orders on a pro rata basis, we allocate trades on an alphabetical or reverse alphabetical basis. There may be instances when partially filled orders may adversely affect the size of the position or the price a client pays or receives, as compared with the size of the position or price that clients would have paid or received had no aggregation occurred.

**Note:** The aggregation and allocation policies described here generally apply to trades in equity securities and ETFs only. If we buy and sell fixed income securities for client accounts, we generally do so through a bidding process that does not generally present allocation issues.



Furthermore, orders for shares of mutual funds are generally fully filled and do not present allocation issues.

### **Wrap Fee Programs**

As indicated above in Item 4, we may serve as portfolio manager for certain wrap fee programs. Financial intermediaries who sponsor such arrangements generally charge clients a single fee, which covers the investment management fee and the costs of executing trades. In those cases, transactions are effected “net” (without commission) because a portion of the wrap fee is paid instead of commissions. Because trades generally are required to be executed only by the broker receiving the wrap fee, we generally will not be free to seek the best price for transactions in wrap fee programs. We cannot assure that a particular broker will provide the most efficient execution of transactions. We will periodically evaluate the brokerage services provided by sponsors of the wrap fee programs in which we participate to verify that the brokerage services satisfy our best execution obligation.

### **Trade Errors**

When a trade error occurs, the client will retain any net gains resulting from the error correction, and we will compensate the client wholly for any loss resulting from the error correction.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Client accounts are reviewed annually by Bower Hill. Certain circumstances, such as a significant market event, may trigger us to review account holdings promptly even if the account is not due for its regular annual review. Matters reviewed include securities held, adherence to the investment strategy, adherence to client and strategy investment restrictions, and performance. We review accounts after each trade to help ensure that execution and settlement are satisfactory, and this review is conducted by our President, Chief Investment Officer, and Chief Compliance Officer, Marc A. Zabicki.

### **Written Reports**

We author written reports, made available through financial intermediaries, to our clients each quarter. Our reports generally include a description of investment performance relative to a benchmark comparable to the strategy used for the account, a discussion of the major factors contributing to strategy performance over the period, and a statement of our market outlook. We urge clients to carefully review these reports and compare the statements received from a custodian or other financial intermediary to the reports that we author. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Apart from the written reports to our clients discussed in the preceding paragraph, we also may author general financial market outlook and update reports and make them available to clients and others.

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

### **Benefits from Custodians**

We may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, to maintain custody of clients’ assets and to effect trades for their accounts. The final decision to custody assets with Schwab is a client’s to make. We are independently owned and operated and not affiliated with Schwab. Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser’s clients’ assets are maintained in accounts at Schwab Advisor Services. Schwab’s services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Schwab also may allow us to buy or sell certain securities for client accounts on a commission-free basis.

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

Schwab also makes available to us other products and services that benefit us but may not benefit our clients’ accounts. These benefits may include educational events organized or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of our personnel by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities.

Other of these products and services provided by Schwab assist us in managing and administering client accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from client accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab Advisor Services.

Schwab Advisor Services also makes available to us other services intended to help us manage and further develop our business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to us by independent third parties. Schwab Advisor Services 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 us. While, as a fiduciary, we endeavor to act in our clients' best interests, our recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to us of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **No Compensation for Client Referrals**

We do not currently compensate any person for client referrals. We are obligated to disclose any such arrangements.

## **Item 15 – Custody**

We do not provide custodial services to our clients. Client assets must be held by a bank, registered broker-dealer or other “qualified custodian.” Clients will receive statements directly from your custodian at least quarterly. We urge clients to carefully review the custodial statements and compare them to the reports we author and send to clients through their financial intermediary. The information in our reports may vary from client custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

We may accept discretionary authority to manage securities accounts on behalf of clients. When we do, our agreements with our separate account clients and our portfolio management agreements with wrap fee sponsors give us the full discretionary power to select brokers, purchase, sell and exchange securities and other instruments, and reinvest all proceeds. However, we observe investment limitations and restrictions that are provided to us in writing, provided that we determine in our sole discretion that such limitations and restrictions are consistent with the strategy we are using for a particular account.

We do not advise or act on a client's behalf in legal proceedings involving companies whose securities are held in an account, including, but not limited to, the filing of class action settlement claim forms.

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

We do not accept authority to vote client securities. Proxy materials will generally be received by clients directly or forwarded from another financial service provider, such as a custodian or primary investment adviser. We encourage clients to contact such financial service providers if they have questions related to proxy materials.

## **Item 18 – Financial Information**

We must disclose any financial condition that could impair our ability to meet our contractual obligations to clients. We must also disclose if we have been the subject of any bankruptcy proceeding within the last 10 years.

We have no such financial condition to disclose at this time, and we have never been the subject of any bankruptcy proceeding.

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