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Form ADV, Part 2A Brochure

October 14, 2015

This brochure provides information about the qualifications and business practices of Carmelina Capital Partners. If you have any questions about the contents of this brochure, please contact us at (949) 387-1125 or tschuesler@carmelina.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.

Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Carmelina Capital Partners or any person associated with Carmelina Capital Partners has achieved a certain level of skill or training.

Additional information about Carmelina Capital Partners is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

October 14, 2015

The purpose of this page is to inform you of material changes since the previous annual update to our brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Carmelina Capital Advisory, LLC dba Carmelina Capital Partners (“Carmelina”) is a newly registering investment adviser. This brochure is Carmelina’s first brochure and therefore we have not made any material changes. We review and update this brochure at least annually to confirm that it remains current. In the future, this item will discuss only specific material changes that we made to the brochure and provide you with a summary of such changes. Future summaries will also reference the date of the last annual update of this brochure.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Carmelina Capital Advisory, LLC dba Carmelina Capital Partners (“Carmelina,” “we,” “our,” or “us”) is a privately owned limited liability corporation headquartered in Los Angeles, CA. Carmelina is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”).

Kevin O’Malley and Benjamin R. Francois founded Carmelina in 2015 and are the principal owners of the firm.

Advisory Services Offered

Carmelina offers the following services to advisory clients:

Separate Accounts

Third-Party Managers

On a non-discretionary basis, we will recommend third-party investment management firms to individual and institutional clients. We segregate and classify managers by investment style or class. Carmelina will evaluate third-party managers by analyzing such factors as firm ownership, management background, personnel turnover, compensation structure, investment philosophy, investment process, portfolio characteristics, holdings analysis, liquidity analysis, investment track record, attribution analysis, operational due-diligence, and reference checks. Additional factors may include assets under management, minimum and maximum account size, accounts gained or lost, fees, and other terms. We describe our process for selecting managers under **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**, below. Carmelina will monitor, on an ongoing basis, each manager that we recommend to manage a client’s assets, and we will provide periodic reports and updated recommendations to the client.

Investment Management

If appropriate, Carmelina will provide direct, continuous and regular investment supervisory services, generally on a discretionary basis. In such cases, we will have the ongoing responsibility to select or make recommendations based upon the objectives of the client to specific securities or other investments that we purchase or sell in client accounts. These securities will usually be limited to mutual funds, including exchange traded funds (“ETFs”).

Performance Evaluation

We offer performance measurement services to clients on a quarterly basis. Performance reporting may vary depending upon client needs but will usually include time-weighted and/or dollar weighted returns for the total portfolio and its underlying holdings relative to an appropriate benchmark, an asset allocation of the portfolio, the percentage of assets allocated across holdings, a cash flow summary, and a net worth statement. Performance reporting may be provided by an independent third party as part of the Wealth Strategies and Family Office Services described below.

Asset Allocation

Carmelina offers advice to clients regarding asset allocation and the selection of investments. Our investment management services include designing, implementing, and continued monitoring of client accounts. Carmelina will develop asset allocation programs that attempt to maximize a client's probability of meeting their objectives. This is done by targeting high risk-adjusted, after-tax, net-of-fees performance while maintain a pre-specified degree of diversification, market exposure, and liquidity in client portfolios. A report highlighting potential asset allocation options and the expected impact of each will be presented to clients to aid in the decision making process.

Private Funds

Carmelina provides continuous and regular investment management services on a discretionary basis to private investment funds, which we or an affiliate has organized. These funds, which make single private equity investments, are available only to "Accredited Investors," as the term is defined by Rule 501 of the Securities Act of 1933, and only by a private offering memorandum. Fund investors must also meet the financial requirements of SEC Regulation 275.205-3(b) under the Investment Advisers Act of 1940, since each fund has a performance-based compensation structure. Additional information on these standards is provided in the private offering memorandum and subscription agreement for each fund.

This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, interests in any fund. Such an offer can only occur when the prospective investor receives the offering documents.

Wealth Strategies and Family Office Services

In addition to investment advisory services, Carmelina may engage a third party to provide financial reporting and bill pay services but does not receive separate compensation for these services. Additionally, Carmelina will assist client attorneys, accountants, insurance agents, bankers, and other service providers in the preparation and execution of tax strategy, estate planning, risk management, and philanthropic giving.

Tailored Services and Client Imposed Restrictions

Carmelina manages client accounts based on our investment strategy, as discussed below under **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**. Carmelina applies its strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may not be suitable if the client does not provide us with accurate and complete information. It is the client's responsibility to keep Carmelina informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of liquidity or cash in the account or does not want Carmelina to buy or sell certain specific securities or security types in the account. Carmelina reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy. Clients may not impose restrictions on any investments selected for the private equity funds, as the funds are pooled investment vehicles.

Assets Under Management

Carmelina manages client assets in both discretionary and non-discretionary accounts on a continuous and regular basis. We are a newly formed adviser and do not currently have assets under management.

ITEM 5 - FEES AND COMPENSATION

Separate Accounts

Fee Schedule

Carmelina charges advisory fees for third-party management supervision and investment management services. Typically, Carmelina's advisory fees are charged based on a percentage of the market value of the entire portfolio, per the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$25MM	0.50%
Next \$75MM	0.30%
\$100MM +	0.05%

Our standard fee schedule may be negotiable based on a number of factors, which include but are not limited to related accounts and other structures that we may consider in special situations. Carmelina typically aggregates client accounts that have family relationships with each other for purposes of calculating the advisory fee rate applicable to each client. At our discretion, we may make pro-rations for additions or withdrawals during a quarter. The client's quarterly fee calculation will reflect any pro-rated additions and/or reductions.

Generally, Carmelina requires clients to maintain a minimum account size of \$10 million, but the account minimum requirements may be reduced or waived at our discretion. The advisory fees noted above do not include the investment management fees charged by third-party managers. In some cases, the fees charged by the third-party manager may be greater than those charged by Carmelina.

Fixed Fees

In some cases, Carmelina may instead charge a negotiable fixed fee for third-party management supervision and investment management services. Carmelina may also charge a negotiable fixed fee for special projects, the total of which is dependent upon the complexity of the project and the level and scope of Carmelina's services. Fixed fees will usually be prorated and charged quarterly in advance.

Billing Method

Carmelina's advisory fees are payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the annual fee rate each quarter based on the market value of the client's portfolio as of the last day of the prior calendar quarter. The formula used for the calculation is as follows: $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 4$.

For new client accounts commencing on a date other than the beginning of a calendar quarter, the first payment is due at the beginning of the first full calendar quarter and includes an additional pro-rata payment (based on the same market value as the payment for the first full quarter) that takes into consideration the number of days remaining in the initial, partial quarter as of the commencement date. For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. For new accounts, the number of days remaining in the quarter is the number of calendar days following the funding date of the new account.

With client authorization, Carmelina will instruct the custodian to automatically withdraw our advisory fee from the client's account. Typically, we authorize the custodian to withdraw our advisory fee from the client's account during the first month of each quarter. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

Carmelina will send a statement to each client who authorizes Carmelina to instruct the custodian to withdraw fees directly from the account. The statement will show the amount of the fee, the value of the client's assets upon which we based the fee, and the specific manner in which we calculated the fee. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

Other Fees and Expenses

Carmelina's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, margin charges, foreign exchange and settlement fees, and/or other charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition

to the fees the client pays to Carmelina. Clients do not pay additional fees for bill-paying, financial statement preparation, or performance reporting services provided by an independent third party engaged by Carmelina. See **Item 12 - Brokerage Practices** below for more information on the factors that Carmelina considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

In addition, any mutual fund shares held in a client's account may be subject to early redemption fees and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to Carmelina for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both Carmelina and the mutual fund manager for the management of their assets.

A client could invest in a mutual fund directly, without using our services. In that case, the client would not receive the services we provide, which include assisting the client in determining which mutual fund or funds we feel are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the advisory fees we charge to understand the total amount of fees the client will pay and evaluate the advisory services we provide accordingly.

Termination

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing to Carmelina at our office. Carmelina will refund any prepaid, unearned advisory fees based on the effective date of termination, using the following formula: $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$.

Private Funds

Asset management fees and other fees vary among our funds and are described within the private offering memoranda and subscription agreements for each of our offerings. Fees are determined by each fund and may be charged in advance or in arrears, depending on the specific terms of each offering. Each profit sharing structure differs by fund, as disclosed in the private offering memorandum and subscription agreement for that fund.

Our funds will typically incur fees for maintenance of books and records, custody fees, audit expense, tax preparation expense, organizational expense, insurance expense and annual licensing and registration fees and taxes. If the fund permits borrowing or other leverage, there may be interest expense and fees for credit, and the fund may incur legal expense in connection with the acquisition or disposition of investments and the handling of distressed investments. The funds also incur the cost of conducting due diligence on prospective investments as well as closing costs for actual investments. An affiliate of Carmelina may charge the underlying portfolio company(ies) closing fees, due diligence fees, and/or ongoing management fees for the advisory services provided to the portfolio company(ies).

These fees are negotiable with the portfolio company. The fund documents for each fund disclose the fees in more detail.

Investors in the funds are typically subject to significant restrictions on their rights to redeem their interests in the funds or otherwise terminate their participation in the funds. These restrictions are described in detail in the fund offering documents.

Other Compensation

Carmelina does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Carmelina or an affiliate receives performance-based fees in connection with managing the private funds. In each case, the performance fees are specifically authorized by the Fund documents and disclosed in any Fund disclosure documents. Because all of our funds have a similar performance fee arrangement, we do not have an incentive to favor one fund over another.

ITEM 7 - TYPES OF CLIENTS

Carmelina provides discretionary and/or non-discretionary investment advisory services to individuals, high net worth individuals, trusts and estates, related family foundations, and individual participants of retirement plans and IRAs. In addition, we provide advisory services to private equity pooled investment vehicles sponsored by us or an affiliate.

Account Requirements

Generally, Carmelina requires clients to maintain a minimum account size of \$10 million. Significant funds withdrawal may result in a request for additional fund deposits to continue with management of accounts. We generally combine family accounts to meet the account size minimum. Carmelina may reduce or waive the account minimum requirements at our discretion.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

General Investment Strategy

Carmelina's goal is to invest in assets with the highest after tax, net-of-fees, risk-adjusted returns and diversify those assets in a manner which will maximize the probability of clients meeting their objectives. The result is a portfolio with biases towards low cost, tax advantaged indexing for equities, actively managed municipal bonds for fixed income, and allocations to private investments which are intended to drive excess return. Within private investments, Carmelina also sources, conducts due diligence, structures, and executes on direct private investments in lower middle market companies.

Carmelina constructs portfolios utilizing multiple asset classes, investment styles, market capitalizations, sectors, and regions in accordance with the clients' investment objectives, risk tolerance, and time horizon. Each portfolio maintains a market exposure target, liquidity target, and targets to asset classes and geographic regions. Carmelina reviews each portfolio every quarter to evaluate the extent to which the actual allocation matches the target allocation. Where the variance is considered excessive, Carmelina works with its clients to take appropriate actions in order to bring the actual allocation within an acceptable range of the target allocation.

Carmelina generally recommends third-party investment advisers for the management of all or a portion of the client's portfolio. Carmelina may also use mutual funds, including ETFs, for a portion of a client's portfolio. Finally, Carmelina may recommend its own private equity funds for clients that meet certain net worth or other accreditation requirements.

Methods of Analysis

Carmelina uses fundamental analysis in the selection of third-party managers and mutual funds, including the analysis of fund managers, annual reports, and any competitive advantages. Additionally, in analyzing and selecting mutual funds, we use public and private research sources, fund reporting, and fund conference calls. We review key characteristics including firm ownership, management background, personnel turnover, compensation structure, investment philosophy, investment process, portfolio characteristics, holdings analysis, liquidity analysis, investment track record, attribution analysis, operational due-diligence, and reference checks. Additional factors may include assets under management, minimum and maximum account size, accounts gained or lost, fees, and other terms. Carmelina may also consider cyclical conditions, which is an analysis of business cycles to find favorable conditions for buying and/or selling a security.

Investing Involves Risk

Prior to entering into an agreement with Carmelina, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are available for investment on a long-term basis.

Investment in private funds is speculative and involves a substantial degree of risk, which is why investing in private funds may not be suitable for all investors and are intended for sophisticated investors who can accept the risks associated with its investments. The investments may lose all or a substantial portion of their value and investors must be prepared to bear the risk of loss of their investments. Investors will not have recourse except with respect to the assets of the fund. The fund

documents outline important information for investors. Investors should review all fund document(s) carefully and should consider conducting additional due diligence before investing in any private fund.

Specific Security Risks

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

Mutual funds pay operating and other expenses from fund assets regardless of how the fund performs, which are indirectly charged to all holders of the mutual fund shares. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks, fixed income instruments, and/or commodities. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an

index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange; however, in periods of market stress ETFs may trade significantly below the aggregate value of the underlying securities. Like mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Private Equity

The fees of private equity investments that cater to smaller investors can be higher than conventional investments, such as mutual funds, which could negatively affect investment returns. Additionally, many private equity investment vehicles that have lower minimum investment requirements do not have long histories for the investor to compare to other investments. Investors should be prepared to commit assets to private equity investments for up to ten years, or even longer, to participate if the company becomes profitable and is eventually sold.

Companies that specialize in certain industries can carry additional risks. For instance, if a firm invested in a high-technology company, their risks could include:

1. Technology Risk - Will the technology work?
2. Market Risk - Will a new market develop for this technology?
3. Company Risk - Can management develop a successful strategy?

Private Funds

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks, including risks associated with the types of securities in which the private fund invests.

ITEM 9 - DISCIPLINARY INFORMATION

Carmelina and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. Carmelina does not have any disciplinary information to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Proprietary Private Funds

Carmelina is the investment adviser to private equity funds sponsored by affiliates of Carmelina. The funds are not publicly offered or traded and are only available to “Accredited Investors” as the term is defined by Rule 501 of the Securities Act of 1933. Private investment fund investors must also meet the financial requirements of Rule 205-3(b) of the Investment Advisers Act of 1940. Those regulations generally provide that Carmelina may only offer interests in the fund to certain institutions, certain organizations, certain trusts, or persons who meet stated income or net worth requirements. The offering memorandum and subscription agreement (the “Offering Documents”) provide additional information on these standards. Prospective investors in the funds receive the Offering Documents. This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, membership interests in the fund. Such an offer can only occur when the prospective investor receives the Offering Documents.

Third-Party Investment Managers

Carmelina recommends separate account managers for all or a portion of our clients’ accounts. These managers charge clients fees that are separate from and in addition to those charged by Carmelina. While Carmelina generally negotiates reduced fees from third party managers for services provided to Carmelina clients, clients may pay higher aggregate account fees for management of their portfolios through Carmelina than if they contracted directly with the third-party managers. We describe these services and fees in *Item 4 - Advisory Business*, *Item 5 - Fees and Compensation*, and *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*, above.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Carmelina believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Carmelina has adopted a Code of Ethics that emphasizes the high standards of conduct that Carmelina seeks to observe. Carmelina’s personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Carmelina’s Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Carmelina’s personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of

insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities (all considered "Access Persons"), are subject to personal trading policies governed by the Code of Ethics (see below).

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

Personal Trading Practices

Due to the fact that third-party investment managers are used for most or all of our clients' portfolios, and that the types of securities that we do trade for clients are primarily mutual funds and ETFs, we do not believe that our Access Persons could realistically benefit from client trades. We place trades for our own accounts independently of decisions to trade for clients. Because the price of securities fluctuates during the day (other than mutual funds), we could trade in a security on the same day as a client and receive a better or worse price than the client does. For mutual funds, if we traded on the same day as clients, we would receive the same price, since mutual funds do not trade but are issued and redeemed once daily at the fund's net asset value ("NAV"). As a fiduciary to our clients, we always seek to put our clients' interests first. Any difference in the prices we receive is never the result of our intentionally trading ahead of clients. Carmelina prohibits trading in a manner that takes personal advantage of our recommendations to clients.

Our personal trading policies include the following:

1. Carmelina requires our personnel to report certain personal securities transactions on a quarterly basis.
2. Our policy to require reporting of personal transactions does not apply to the following:
 - a. Transactions effected pursuant to an automatic investment plan;
 - b. Securities held in accounts over which the Carmelina's personnel has no direct or indirect influence or control;
 - c. Transactions and holdings in direct obligations of the Government of the United States;
 - d. Money market instruments-bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
 - e. Transactions and holdings in shares of mutual funds, since Carmelina has no material relationship with an investment company; and
 - f. Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.

3. Conflicts of interest also may arise when Carmelina's Access Persons become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. Carmelina's Access Persons are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.

Participation or Interest in Client Transactions

Carmelina or an affiliate offers private placement interests, in funds that own private companies, to clients for which Carmelina believes the investment is suitable. Carmelina only recommends such securities to clients who meet the requisite income and/or net worth requirements and where Carmelina believes that the investment is appropriate for the client based on the client's ability to accept the risk.

Carmelina will not benefit from the issuance of such private placement interests, because all investors (including Carmelina) will participate pro rata in the initial purchase of the private companies owned by the fund. Other than the fees described in **Item 5 – Fees and Compensation/Private Funds**, above, Carmelina will not receive any additional compensation based on formation of the fund or sale of the private placement interests. Clients will receive the offering memorandum and full disclosure of all known risks before investing.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions

Carmelina requires clients to open one or more accounts in their own name at a qualified custodian of the client's choice. For clients in need of brokerage or custodial services, Carmelina may recommend the use of certain broker-dealers/custodians; however, a client is not under any obligation to custody their assets with any custodian we recommend. All clients are free to select any custodian of his or her choice. The client will enter into a separate agreement with the custodian to custody the assets. Clients typically grant Carmelina discretion to select broker-dealers for client transactions. Carmelina considers several factors in selecting a broker-dealers for client transactions. Factors that Carmelina may consider include availability of funds, ease of use, reputation, service execution, pricing and financial strength. Other clients may direct Carmelina to use a particular broker-dealer for some or all of the client's transactions. Carmelina is independently owned and operated and not affiliated with any broker-dealer or custodian.

Research and Other Soft Dollar Benefits

Carmelina does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Brokerage for Client Referrals

Carmelina does not receive client referrals from any broker-dealer.

Directed Brokerage Transactions

Carmelina is prepared to work with any broker-dealer that the client chooses. Clients who direct Carmelina to use a particular broker-dealer for trading may pay higher commission charges. Under these circumstances, Carmelina may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct Carmelina to use a specific broker, disparity in transaction charges might exist between the transaction costs charged to other clients.

Aggregation and Allocation of Transactions

Carmelina primarily uses mutual funds to manage client accounts directly. Mutual funds are priced once daily. As the daily price is the same for each investor, we have no opportunity to obtain better pricing through aggregating even if we place trades of the same fund for multiple clients within a single order. Additionally, the broker-dealer/custodians charge each account an individual transaction fee regardless of whether we aggregate or not. This prevents us from lowering trading costs through aggregation.

ITEM 13 - REVIEW OF ACCOUNTS

Managed Account Reviews

Carmelina seeks to meet client objectives by monitoring and rebalancing clients' investment portfolios on a regular basis. Frequency of review is determined by both the individual client and Carmelina and may be quarterly, semi-annually, annually or any other chosen interval. Carmelina may request more immediate reviews if we determine that special circumstances or material factors warrant additional attention. Client reviews are conducted by a client representative designated by Carmelina.

Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, Carmelina provides written reports detailing performance in client accounts on a quarterly basis. Carmelina may also provide additional reporting as agreed upon by Carmelina and the client on a case-by-case basis.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Solicitors

Carmelina does not have any arrangements under which we receive or pay any compensation for client referrals.

Outside Compensation

Carmelina may refer clients to unaffiliated professionals for a variety of services such as insurance, mortgage brokerage, real estate sales, estate planning, legal, and/or tax/accounting services. In turn, these professionals may refer clients to Carmelina. Carmelina does not receive any monetary

compensation for referring our clients to unaffiliated professionals. However, it could be concluded that Carmelina is receiving an indirect economic benefit from this practice as the relationships are mutually beneficial and there could be incentive to recommend services of those who refer clients to Carmelina. These referrals do not involve in any way client brokerage or the use of client commissions. Carmelina will never share information with an unaffiliated provider unless first authorized by the client. Clients are under no obligation to purchase any products or services through these professionals.

ITEM 15 - CUSTODY

Carmelina has custody of the assets of any private funds for which Carmelina or an affiliate, as the managing member/general partner of the fund, has the ability to request funds from the custodian out of the account. Carmelina has put controls in place, in compliance with federal rules, to protect investors' assets in such fund. An independent qualified custodian holds the fund's assets. In addition, an independent accountant audits the fund each year, and we send copies of the audited financial statements to all investors in the fund. An independent accountant will also audit the fund upon liquidation.

Carmelina also has limited custody of our clients' funds or securities when clients authorize us to deduct our management fees directly from the client's account. Clients' accounts are held by independent qualified custodians who send statements directly to the client at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of Carmelina's fee. Clients should carefully review the account statements they receive from their qualified custodian. When clients receive statements from Carmelina as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

ITEM 16 - INVESTMENT DISCRETION

Non-Discretionary Management

For non-discretionary accounts, Carmelina will contact the client before making recommendations we deem appropriate for the client. Non-discretionary clients should be aware that recommendations are typically time sensitive and circumstances may cause market movements to work against the client.

Discretionary Management

For a portion of a client's account, Carmelina may have full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. Carmelina will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork. Private fund

investors should review the limited partnership/operating agreements for the funds, which outline this authority.

However, certain client-imposed conditions may limit our discretionary authority, such as where the client prohibits transactions in specific security types or directs Carmelina to execute transactions through specific broker-dealers. See also ***Tailored Services and Client Imposed Restrictions*** under **Item 4** and **Item 12 – Brokerage Practices**, above.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

Carmelina does not accept or have the authority to vote client securities. However, clients may call us if they have questions about a particular solicitation. Carmelina will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Third-party managers recommended by Carmelina may or may not accept responsibility for voting proxies. Clients should review the Form ADV of any third-party manager for who has accepted responsibility for voting proxies for securities selected by the third-party manager that are held in clients' accounts.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Carmelina does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.