

# Disclosure Brochure

March 17, 2016

## **North Shore Asset Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of North Shore Asset Management, LLC (hereinafter “North Shore” or the “firm” or “we”). If you have any questions about the contents of this brochure, please contact Robert J. Schpoont at (631) 223-7434. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about North Shore Asset Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

North Shore Asset Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since North Shore's last annual update dated March 20, 2015. North Shore does not have any material changes to disclose in this Item.

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## Item 4. Advisory Business

Since December 2000, North Shore has been registered as an investment adviser (from 2000 to 2004, North Shore operated under the name North Shore Asset Management, Inc.). Founded by its managing member and principal owner, Robert J. Schpoont, the firm seeks to help its clients grow and preserve wealth by constructing portfolios based on client conversations regarding their risk preferences, investment time horizons as well as cash availability when suitable investment opportunities arise.

North Shore provides investment management and consulting services to its clients. Prior to engaging North Shore to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with North Shore setting forth the terms and conditions under which North Shore renders its services (collectively the “*Agreement*”).

North Shore has \$40,717,484 of assets under management as of March 8, 2016, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of North Shore. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of North Shore’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on North Shore’s behalf and is subject to North Shore’s supervision or control.

### **Investment Management and Consulting Services**

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Clients can engage North Shore to manage all or a portion of their assets on a discretionary basis. The firm does not provide financial planning services. However, North Shore may provide consulting services on investment-related and non-investment related matters for which it may receive additional compensation.

For investment management clients, North Shore primarily allocates clients’ investment management assets among individual equity securities, exchange-traded funds (“ETFs”), and mutual funds in accordance with the investment objectives of the client. As detailed in Item 8, North Shore tailors its advisory services to the individual needs of clients. North Shore consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. North Shore constructs portfolios suitable to client investment needs, goals, objectives and risk tolerances. In addition, the firm may also provide advice about any type of pre-existing investment held in clients’ portfolios.

Clients are advised to promptly notify North Shore if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon North Shore’s management services. Clients may impose reasonable restrictions or mandates on the management of

their account if, in North Shore's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

North Shore also may render non-discretionary investment management services to clients relative to their individual employer-sponsored retirement plans. In so doing, the firm either directs or recommends the allocation of client assets among the various mutual fund or other assets that comprise the retirement plan. The firm is not responsible for any adjustments made by the client after any recommendations, due to factors including, but not limited to, funds added or withdrawn from the retirement plan, changed market conditions and/or changed client goals. It is the responsibility of the client to contact North Shore to review account allocations on an "as needed" basis. Only the client has the ultimate authority to implement the investment decisions in these non-discretionary accounts. The client assets are maintained at the custodian designated by the sponsor of the client's retirement plan.

In performing its consulting services, North Shore is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The firm may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if North Shore recommends its own services. The client is under no obligation to act upon any of the recommendations made by North Shore under a consulting engagement or to engage the services of any such recommended professional, including the firm itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of North Shore's recommendations. Clients are advised that it remains their responsibility to promptly notify North Shore if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the firm's previous recommendations and/or services.

### **Item 5. Fees and Compensation**

North Shore offers its services on a fee basis, which may include hourly fees as well as fees based upon assets under management.

#### **Investment Management Fee**

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North Shore provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by the firm. North Shore's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. The firm does not, however, receive any portion of these commissions, fees, and costs. In general, North Shore's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter.

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The annual fee varies depending upon the market value of the assets under management, as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$500,000	1.35%
Above \$500,00	1.25%

Family, friend and legacy accounts may be subject to a different fee schedule. In addition, North Shore will generally charge a \$300 set-up fee per account.

North Shore, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

In cases where retirement accounts are administered by third-party plan administrators that impose different billing practices, North Shore may alter its billing practices to accommodate those of the third-party plan administrators.

## **Consulting Fees**

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For non-investment management clients and investment management clients that require a disproportionate amount of administrative, record-keeping or consulting services (such as portfolio analysis or review and conversion of non-cash assets), North Shore may charge a consulting fee. The firm's consulting fees are negotiable, but generally range from \$250 to \$500 per hour, depending upon the level and scope of the services and the professional rendering the services.

Prior to engaging North Shore to provide consulting services, the client is required to enter into a written agreement with the firm setting forth the terms and conditions of the engagement. Generally, North Shore requires one-half of the consulting fee (estimated hourly) payable upon entering the written agreement. The balance is generally due upon delivery of the analysis and conclusions or otherwise completion of the agreed upon services.

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), North Shore generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for investment management accounts.

North Shore may only implement its investment management recommendations after the client has arranged for and furnished North Shore with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to any broker-dealers

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recommended by North Shore, broker-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to North Shore’s fee.

North Shore’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize North Shore to debit the client’s account for the amount of North Shore’s fee and to directly remit that management fee to North Shore. Any *Financial Institutions* recommended by North Shore have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to North Shore. Alternatively, clients may elect to have North Shore send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between North Shore and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. North Shore’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to North Shore’s right to terminate an account. Additions may be in cash or securities provided that North Shore reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to North Shore, subject to the usual and customary securities settlement procedures. However, North Shore designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. North Shore may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, any fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

## Item 6. Performance-Based Fees and Side-by-Side Management

North Shore does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

North Shore generally offers its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimums

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North Shore does not impose a minimum portfolio size or minimum annual fee as a condition for starting and maintaining a relationship.

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

### Investment Strategies & Methods of Analysis

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Philosophically, North Shore is a value and “growth at a reasonable price” investor. Ideally, the firm seeks to invest in well-managed, high growth, high moat companies selling at value (i.e. reasonable) prices. The goal of this approach is to provide a buffer against market volatility as well as any analytical miscalculations of a company’s prospects. In practice, North Shore balances its preference for company-specific attributes (such as perceived strong management, consistently strong earnings growth, and high barriers to entry) with a company’s current and historical valuation. North Shore may buy shares in companies that are not top-rated in these qualitative and quantitative categories, but are viewed as so undervalued and mispriced that they merit purchase anyway. In short, the firm tries to build client portfolios with individual equities that exhibit the most attractive combination of features mentioned above without losing sight of the price being paid to attain those assets.

While attention is paid to the price and more specifically the valuation of an asset, North Shore prefers buying companies in industries or sectors that it expects will be able to continue to grow their earnings; believing that a company’s intrinsic value and share price will ultimately track its earnings growth. Moreover, all things being equal, the firm searches for companies that own scarce resources that are in demand; such a dynamic improves the chances that a company will be able to generate high returns and profits for many years. In addition to product or service scarcity, other competitive advantages and barriers to entry such as brands, patents, developed networks, or favored governmental regulations can often translate into higher returns for an extended period. Therefore, North Shore often invests in businesses with “moats” - where it believes a business can maintain a competitive advantage for many years. Also, North Shore prefers investing in companies that it believes are led by top managements because they are more likely to discover and implement high return opportunities within their industries; but investing in companies with top managements is not a sufficient or complete investment premise as



no manager will necessarily be able to turn around a dying or rapidly evolving industry (e.g. the buggy whip industry).

North Shore attempts to buy company shares while they are either out of favor, or out of the Wall Street analysts' spotlight. Indeed, in our experience one often finds the best opportunities when others have lost patience – whether due to a company-specific event such as an earnings misstep; a negative short-term industry-wide event; or an overall panic in the market that temporarily drives down prices. Bernard Baruch's old adage and advice of buying straw hats in the wintertime reflects the firm's temperament towards investing. We would also agree with the corollary – that the best time to sell those straw hats is in the summertime. When the market becomes too enamored by a company's prospects and valuations appear stretched, North Shore will consider exiting an investment. However, North Shore's preference is to hold investments for many years to benefit from compounding as well as tax efficiencies; the firm does not focus on short-term trades.

North Shore's investment approach is not constrained by investing in S&P 500 companies. All things being equal the firm would prefer to invest in a larger, better established dividend-paying company versus, for example, a micro-cap company that pays no dividends; but things are rarely "equal" – and the best returns and opportunities might lie outside of the large cap sector. Also, North Shore does not set a predetermined percentage allocation to the various industry sectors. While the firm is cognizant of the S&P 500 industry weightings, North Shore does not try to mimic them.

One of the greatest challenges in investing is culling through the sheer volume of information and noise in the marketplace. North Shore often begins its search for investment ideas using valuation software, and it has developed quantitative algorithms and spreadsheets as well as chart books to help the firm screen for investments. The quantitative work is a starting point for further analytical research on an investment idea. If an investment appears interesting, we will evaluate a company's financial statements, recent earnings reports, and the company's management. We rarely base our assessments of companies solely on Wall Street research and opinions.

North Shore constructs portfolios informed by client conversations regarding risk preferences, investment time horizons as well as cash availability when suitable investment opportunities arise. The firm primarily allocates client assets among individual equity securities. In circumstances where a client requires or desires an allocation to fixed income or other non-equity investments, North Shore generally purchases mutual funds or ETFs in the specific investment category. In addition, North Shore will often recommend and use mutual funds or ETFs for their diversification benefits.

After much due diligence on fund manager aggregators, the firm decided to offer Russell Investment mutual funds to clients who were looking for this approach. These institutional quality funds offer multi-asset portfolios using in-depth manager research and global diversification. To help manage risk, Russell portfolios are diversified on three distinct levels: asset class, investment style, and money manager. Russell uses both qualitative and quantitative methods to select some of the world's best investment

managers. In addition, we offer a number of portfolios, including tax-efficient ones, developed by Russell. We tailor Russell portfolios to our client's specific needs.

North Shore works with existing portfolios. While the firm's preference is to start with cash in order to construct a portfolio, North Shore will not necessarily sell out an existing portfolio wholesale. Particularly for tax reasons, if a client chooses initially to keep some or all of his previously purchased securities North Shore will seek to transition to its own favored securities over time. North Shore prefers to manage a client's taxable and tax deferred accounts (e.g. IRAs), as this allows it to seek to maximize tax efficiencies by allocating higher-yielding securities into tax deferred accounts.

## **Risks of Loss**

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### *Market Risks*

The profitability of a significant portion of North Shore's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that North Shore will be able to predict those price movements accurately.

North Shore believes the four greatest risk factors in its investment approach are: (1) the market takes a longer time than expected to realize the company's true intrinsic value; (2) poor economic or market conditions may negatively impact the security; (3) the firm's assumptions of the company's competitive landscape and earnings prospects are "off," and the company is not as undervalued as it had initially surmised on a relative or absolute basis; and (4) a company presents fraudulent accounting statements on which it relies.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issues or positions of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. Separately, the trading prices of a closed-end mutual fund's shares may differ significantly from the NAV

during periods of market volatility, which may, among other factors, lead to a closed-end mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively-managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist.

### *Options*

On a limited basis, the firm may use options. Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for either buying or selling an option. Investors transact in options to hedge (limit) losses in an attempt to reduce risk, to focus on income strategies, or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Margin*

On a very limited basis, the firm may utilize margin. To the extent that a client authorizes the use of margin, and margin is thereafter employed by North Shore in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to North Shore will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities held at brokers and dealers, and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

## Item 9. Disciplinary Information

North Shore is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. North Shore does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

North Shore is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The firm does not have any required disclosures to this Item.

## Item 11. Code of Ethics

North Shore and persons associated with North Shore ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with North Shore's policies and procedures.

North Shore has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by North Shore or any of its associated persons. The *Code of Ethics* also requires that certain of North Shore's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in North Shore's *Code of Ethics*, none of North Shore's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of North Shore's clients.

When North Shore is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when North Shore is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

In addition, as described further in Item 12, North Shore may purchase or sell the same securities for several clients at approximately the same time. North Shore may combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among North Shore’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. To the extent that North Shore determines to aggregate client orders for the purchase or sale of securities, including securities in which North Shore’s *Supervised Persons* may invest, North Shore does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission.

Clients and prospective clients may contact North Shore to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

North Shore generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. (“*Schwab*”) or TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”) for investment management accounts. North Shore participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. North Shore receives some benefits from *TD Ameritrade* through its participation in the program.

Factors which North Shore considers in recommending *Schwab*, *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* and *TD Ameritrade* enable North Shore to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* or *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by North Shore’s clients comply with North Shore’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where North Shore determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution’s* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. North Shore seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

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North Shore periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct North Shore in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and North Shore will not seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by North Shore (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, North Shore may decline a client’s request to direct brokerage if, in North Shore’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

North Shore frequently decides to purchase or sell the same securities for several clients at approximately the same time. North Shore “batches” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among North Shore’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among North Shore’s clients pro rata to the purchase and sale orders placed for each client on any given day. North Shore does not receive any additional compensation or remuneration as a result of the aggregation. In the event that North Shore determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, North Shore may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist North Shore in its investment decision-making process. Such research generally will be used to service all of North Shore’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in

managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because North Shore does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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North Shore may receive from *Schwab* or *TD Ameritrade*, without cost to North Shore, computer software and related systems support, which allow North Shore to better monitor client accounts maintained at each *Financial Institution*. North Shore may receive the software and related support without cost because North Shore renders investment management services to clients that maintain assets at *Schwab* or *TD Ameritrade*. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit North Shore, but not its clients directly. In fulfilling its duties to its clients, North Shore endeavors at all times to put the interests of its clients first. Clients should be aware, however, that North Shore's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence North Shore's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

North Shore may receive the following benefits from *Schwab* through its Schwab Institutional division: access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

There is no direct link between North Shore's participation in the TD Ameritrade Institutional program and the investment advice it gives to its clients, although North Shore receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, North Shore may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist North Shore in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help North Shore manage and further develop its business enterprise. The benefits received by North Shore's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by North Shore or its related persons in and of itself creates a potential conflict of interest and



may indirectly influence North Shore's recommendation of *TD Ameritrade* for custody and brokerage services.

### Item 13. Review of Accounts

For those clients to whom North Shore provides investment management services, North Shore monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom North Shore provides consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by the Principal of North Shore, Robert J. Schpoont. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with North Shore and to keep North Shore informed of any changes thereto. North Shore contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the firm provides investment management services will also receive a report from North Shore that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from North Shore.

Those clients to whom North Shore provides consulting services will receive reports from the firm summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by North Shore.

### Item 14. Client Referrals and Other Compensation

North Shore is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, North Shore is required to disclose any direct or indirect compensation that it provides for client referrals.

### Item 15. Custody

North Shore's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize North Shore through such *Financial Institution* to debit the client's account for the amount of North Shore's fee and to directly remit that management fee to North Shore in accordance with applicable custody rules.

The *Financial Institutions* recommended by North Shore have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management



fees paid directly to North Shore. In addition, as discussed in Item 13, North Shore also may send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from North Shore.

### **Item 16. Investment Discretion**

North Shore is given the authority to exercise discretion on behalf of clients. North Shore is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. North Shore is given this authority through a power-of-attorney included in the agreement between North Shore and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). North Shore takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

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

North Shore is required to disclose if it accepts authority to vote client securities. North Shore does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 18. Financial Information**

North Shore does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, North Shore is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. North Shore has no disclosures pursuant to this Item.

## **North Shore Asset Management, LLC**

*a Registered Investment Adviser*

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