

Item 1      Cover Page

# First Foundation Advisors

SEC File Number: 801 – 35973

**Brochure**  
**Dated 4/17/2017**

Contact: Greg Bruce, Chief Compliance Officer  
18101 Von Karman Avenue, Suite 700  
Irvine, California 92612  
[www.ff-inc.com](http://www.ff-inc.com)

This brochure provides information about the qualifications and business practices of First Foundation Advisors (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (949) 476-0300 or [gbruce@ff-inc.com](mailto:gbruce@ff-inc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about First Foundation Advisors also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to First Foundation Advisors as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2           Material Changes

Since last year's Annual Amendment filing on March 30, 2016, below is a description of the material changes made to First Foundation Advisor's disclosure statement. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the below changes and additions, or any other issue pertaining to this Brochure.

1. **There have been no material changes made to First Foundation Advisors' disclosure statement since the last year's Annual Amendment filing on March 30, 2016.**

## Item 3           Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation.....	8
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients .....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9	Disciplinary Information.....	12
Item 10	Other Financial Industry Activities and Affiliations.....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12	Brokerage Practices.....	15
Item 13	Review of Accounts .....	18
Item 14	Client Referrals and Other Compensation.....	18
Item 15	Custody .....	22
Item 16	Investment Discretion .....	22
Item 17	Voting Client Securities.....	22
Item 18	Financial Information .....	23

## Item 4            **Advisory Business**

- A. First Foundation Advisors (the “Registrant”) is a corporation formed on December 12, 1985 in the State of California. The Registrant became registered as an Investment Adviser Firm in February 1990. John A. Hakopian is the Registrant’s President. The Registrant is owned by First Foundation Inc. (FFI). FFI’s common stock is publically traded on the NASDAQ Global Market under the symbol “FFWM” and the ownership of that entity will change on a regular basis.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, and pension and profit sharing plans, etc.), directly or through one of its affiliated entities, investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT ADVISORY SERVICES**

The client can engage Registrant to provide discretionary and/or non-discretionary investment advisory services to individuals, families, businesses, and retirement plans (*see below*). Before engaging Registrant to provide investment advisory services, clients are required to enter into an agreement with Registrant setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the fees that a client will incur (*see* fee schedule at Item 5 below). Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, Registrant will ascertain the client’s investment objective(s). Registrant will then allocate (or recommend that the client allocate) the portfolio consistent with the designated investment objective(s). To the extent specifically requested by an individual client, Registrant will generally provide financial planning and consulting services. In the event that the client requires extraordinary planning or consultation services, the Registrant may determine to charge a client for such additional services pursuant to a stand-alone written agreement (*see Limitations* below).

**ERISA PLAN ENGAGEMENTS:** Registrant may be engaged to provide investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan sponsor. In such engagements, the Firm will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 (“ERISA”). The Firm will generally provide services on an “assets under management” fee basis per the terms and conditions of an Investment Advisory Agreement between the Plan and the Firm. Registrant may also provide investment advisory services to participant directed retirement plans per the terms and conditions of a Retirement Plan Consulting Agreement between Registrant and the plan. For such engagements, Registrant shall assist the Plan with the selection of an investment platform from which Plan participants shall make their respective investment choices, and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

**SUB-ADVISED MUTUAL FUNDS AND POTENTIAL CONFLICT OF INTEREST** Pursuant to a written sub-advisory agreement, the Registrant may serve as a sub-adviser to a registered Investment Company under the Investment Company Act of 1940. At this time, the Registrant currently serves as a sub-adviser to certain funds advised by Highland Capital Management Fund Advisors, L.P. The Registrant will observe the investment parameters described in the investment company’s offering documents as well as those required by the Investment Company Act of 1940. A conflict of interest arises whenever the Registrant has an actual or perceived economic or other incentive in its management of client’s accounts in a way that benefits the Registrant. A conflict is present

where we may invest, on a discretionary basis, in a mutual fund where we sub-advise. All else equal, the Registrant has a preference for mutual funds where it serves as sub-adviser. When appropriate, the Registrant's mutual funds that it sub-advises may be held in client accounts (up to 100%), subject to applicable law and any account-specific considerations. Clients may contact us to elect not to invest in any investment product that we sub-advise by emailing us at [gbruce@ff-inc.com](mailto:gbruce@ff-inc.com) or contacting **Greg Bruce at (949) 476-0300**. As discussed above, clients may elect to exclude from their accounts investments in any Sub-Advised Fund. If a client has already made an investment in a Sub-Advised Fund, they may incur tax consequences as a result of such election. The Registrant will comply with ERISA and Section 4975 of the Internal Revenue Code for all purchases of mutual funds it sub-advises in Individual Retirement Accounts or in qualified retirement plans subject to ERISA by providing a credit of advisory fees associated with the discretionary management of these funds against the client's management fee set forth in Item 5 below. A credit of advisory fees associated with the discretionary management of these funds will be applied in the same manner as above for other nonqualified client accounts. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest. See Item 5 for a summary of fees associated with the Registrant's Sub-Adviser services.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* provide financial planning and/or consulting services (including investment and non-investment related matters, such as estate, tax and insurance planning, etc.) on a stand-alone separate hourly rate basis. Registrant's planning and consulting fees are negotiable, but generally range from negotiable up to \$350 on an hourly rate basis, depending upon the scope and complexity of the service(s) required and the professional(s) rendering the service(s). Alternatively, the Registrant may charge a fixed rate for the project with up to 50% of the total fee due at inception and the balance due at the completion of the project depending on the scope of the project. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, an estimated fee and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of outside professionals for additional consulting and/or implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. Registrant's consulting services pursuant to this agreement do not include investment implementation, supervisory, management, or reporting services, nor the regular review or monitoring of the client's investment portfolio. In the event the client desires the Registrant **to** provide investment supervisory or management services, such engagement shall be set forth in a separate *Investment Advisory Agreement* between the Registrant and the client, for which services Registrant shall be paid a separate and additional fee.

#### **MISCELLANEOUS**

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the

client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to rollover retirement plan assets to an account managed by Registrant. Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover.**

**Please Note: Limitations of Non-Investment Consulting/Implementation Services.**

As indicated above, **to the extent specifically requested by a client,** the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as legal or accounting advice. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including the Registrant's insurance affiliate (**See** disclosure at Item 10.C.2). **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Independent Managers.** Registrant may allocate a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note:** The investment management fee charged by the *Independent Manager[s]* is separate from, and in addition to, Registrant's advisory fee as set forth in the fee schedule at Item 5 below.

**Unaffiliated Private Investment Funds.** Registrant may also provide investment advice regarding unaffiliated private investment funds. Registrant, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. **Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).** **Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client

may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment. **Please Also Note: Valuation.** In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no subsequent valuation post-purchase is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than original purchase price. The client's advisory fee shall be based upon reflected fund value(s).

**Wrap/Separate Managed Account/UMA program engagements:** In the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. **Participation in a wrap program may cost the participant more or less than purchasing such services separately.** In the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated managed account/UMA program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual equity and/or fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian.

**Please Note-Use of Mutual Funds:** Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. **Separate Fees:** All mutual funds (and exchange traded fund) impose fees at the fund level (e.g. management fees and other fund expenses). All mutual fund fees are separate from, and in addition to, Registrant's wealth management fee as described at Item 5 below. **Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above.**

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. There is no significant difference between how the Registrant manages wrap fee accounts and non-wrap fee accounts. **Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of December 31, 2016, the Registrant had \$3,451,637,910 in assets under management on a discretionary basis and \$135,034,039 assets under management on a non-discretionary basis.



## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services and/or financial planning services on a stand-alone basis or combined discretionary investment advisory services and financial planning services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services and financial planning services on a *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
<u>Equity and Balanced Accounts Program</u>	
On the First \$3,000,000	1.00% Annual Fee
On the Next \$2,000,000	0.75%
Amount over \$5,000,000	0.50%
<u>Fixed Income Accounts Program</u>	
On the First \$2,000,000	0.50% Annual Fee
On the Next \$3,000,000	0.40%
On the Next \$5,000,000	0.30%
Amount over \$10,000,000	0.25%
<u>Fixed Income Short Duration Accounts Program</u>	
On the First \$5,000,000	0.25% Annual Fee
On the Next \$10,000,000	0.20%
On the Next \$15,000,000	0.15%
On the Next \$25,000,000	0.10%
Amount Over \$55,000,000	0.05%
<u>Value Equity Individual Accounts Program</u>	
On the First \$3,000,000	1.00% Annual Fee
On the Next \$2,000,000	0.90%
On the Next \$5,000,000	0.80%

**Please Note: Potential Conflict of Interest:** Although the Registrant will allocate client assets consistent with the client's designated investment objective, the fact that the Registrant earns a higher fee for management of equity and balance account strategies per the above fee schedule, presents a ***conflict of interest*** since the fee schedule disparity could provide the Registrant with an economic incentive to allocate more assets to equity securities from which it will earn a higher advisory fee. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions regarding this conflict of interest

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, the Registrant *may* provide financial planning and/or consulting services (including investment and non-investment related matters, such as estate, tax and insurance planning, etc.) on a stand-alone separate hourly rate basis. Registrant's planning and consulting fees are negotiable, but generally range from negotiable up to \$350



on an hourly rate basis, depending upon the scope and complexity of the service(s) required and the professional(s) rendering the service(s).

**Sub-Advised Mutual Fund(s).** The Registrant has been engaged as a sub-adviser to investment advisers of registered investment companies. The Registrant will receive from the mutual fund's adviser a percentage-based fee based on the Average Daily Managed Assets of each fund's assets allocated to the Registrant. The Registrant's sub-advisory fee generally ranges between 0.10% and 0.30% of the Average Daily Managed Assets. Please see the disclosure in Item 4 above titled "**SUB-ADVISED MUTUAL FUNDS AND POTENTIAL CONFLICT OF INTEREST**" for a complete description of this relationship and the conflicts of interests it may present.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*"), Fidelity Investments ("*Fidelity*") and/or TD Ameritrade Inc. ("*TD Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab*, *Fidelity* and *TD Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services. This includes effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab*, *Fidelity*, or *TD Ameritrade*).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset base of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lower investment management fee and/or waive or reduce its minimum asset requirement 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, negotiations with client, etc.). The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Relative to its discretionary investment management services, when beneficial to the client, individual equity and/or fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a “tradeaway” fee charged by the account custodian.
- F. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

The Registrant may charge performance-based fees—that is, fees based on a share of capital gains or capital appreciation of the assets of a client. Registrant may charge performance-based fees to such clients who have at least \$1,000,000 in portfolio assets managed by the firm, or who together with their spouse have a net worth of at least \$2,000,000 excluding their principal residence. These types of performance-based fees create an economic incentive for Registrant to take additional risks in the management of a client portfolio that may be in conflict with the client’s current investment objectives and tolerance for risk. For individual client accounts, we generally manage these accounts in the same manner as our non-performance based accounts. For our affiliated private fund, we make investments consistent with disclosure documents provided to clients.

## **Item 7            Types of Clients**

The Registrant’s clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. In addition, the Registrant serves as a sub-adviser to an investment adviser to a registered investment company. The Registrant generally requires a minimum asset base of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lower investment management fee and/or waive or reduce its minimum asset requirement 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, negotiations with client, etc.).

In limited circumstances, the Registrant may be engaged on a flat annual fee basis rather than per the above fee schedule. **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Registrant’s Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client may have regarding its advisory fee schedule.

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

- A. The Registrant may utilize, but are not limited to, the following methods of security analysis:
  - Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts of potential market valuation)

- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend options transactions, a strategy that has a high level of inherent risk. (*See* discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase/sell or the recommendation to purchase/sell an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is

to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks) and fixed income securities, mutual funds and/or exchange traded funds, on a discretionary basis, and *Independent Manager[s]* and private investment funds, on a non-discretionary basis, in accordance with the client's designated investment objective(s). (*See Independent Manager[s]* above).

## Item 9            **Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
  - 1. **Affiliated Private Investment Fund.** The Registrant is the investment advisor to the Keller Late Stage VC Fund, LP ("*affiliated private fund*"). The affiliated private fund is no longer open for investments and does not pose any conflicts of interests for prospective clients.
  - 2. **Publicly Traded Holding Company.** The Registrant is wholly-owned by First Foundation Inc. (FFI). FFI's common stock is publically on the NASDAQ Global Market under the symbol "FFWM". Since FFI is a publicly traded company, the ownership of that entity changes on a regular basis. In addition, FFI, through its Board of Directors have approved stock option plans to grant options to employees and directors of FFI. Certain members of the board of directors and executives of FFI and the Registrant own or have options to own stock in FFI. The Registrant will not purchase FFI stock or options for its clients, unless expressly requested to do so by a client. To the extent that a client wishes to own FFI stock or options, the Registrant generally recommends that FFI stock or options be held in an account not managed or supervised by the Registrant. The Registrant will not follow or track the performance of FFI and will not provide ongoing monitoring or review of FFI stock or options held in a client's account. Upon your request, the Registrant will consult with you regarding the disposition of FFI stock or options on an annual basis (unless you advise us, in writing, that you desire more frequent consultation). However, you will remain responsible for all decisions and consequences regarding FFI stock or options, including decisions regarding the retention or sale of FFI stock or options, or a portion thereof, regardless of whether FFI stock or options are reflected on any supplemental account reports prepared by the Registrant. The Registrant will have no proxy voting

responsibility with respect to FFI stock. The Registrant will not take any action with respect to FFI stock or options unless and until specifically requested by you in writing (email will suffice). The Registrant is not in the business of accepting client orders for the purchase or sale of securities. Accordingly, upon receipt of any such request, the Registrant will endeavor, but cannot guarantee, that any transaction will be effected on the day received or at any specific time or price. The market value of any FFI stock or options will not be included in assets under management for purpose of determining the Registrant's investment advisory fee(s).

3. **Affiliated Bank.** The Registrant is a wholly owned subsidiary of First Foundation Inc. ("FFI"), which is a holding company that also owns First Foundation Bank ("FFB"). FFI and/or its Principals and representatives provide two separate and distinct services: (1) investment advisory services as an SEC registered investment adviser through the Registrant, and (2) banking, trust and philanthropic and wealth management consulting services through FFB. Clients may engage the Registrant or its representatives for either or both services. Clients seeking banking, trust or philanthropic and wealth management consulting services will be referred to a FFB associate. However, no investment advisory client is required to engage the Registrant or its representatives for banking services, and no banking client is required to engage the Registrant or its representatives for investment advisory services.

If the Registrant or its representatives are engaged by a client for banking services, the banking service shall not include any investment advisory services. Clients that receive cash proceeds as a result of any banking transaction are not obligated in any manner to engage the Registrant or its representative in its separate role as an investment adviser to invest those proceeds on their behalf. If the Registrant is engaged for investment advisory services, a copy of the Registrant's Brochure shall be provided discussing the scope of its investment advisory services and fees charged, and stating that any corresponding investment advisory engagement of the Registrant shall be subject to the terms and conditions of a separate written agreement. The Principals and/or representatives of the Registrant may be shareholders of FFI thereby creating a **conflict of interest** if banking, loan, trust or consulting services through FFB incur less favorable banking or loan costs/terms than the account would have otherwise incurred had banking, loan, trust or consulting services been engaged through alternative service providers.

As indicated above, the Registrant is affiliated with FFB. Financial instruments such as Money Market Funds or Certificates of Deposit offered by FFB may be recommended and utilized by the Registrant in the management of advisory accounts. **Please Note:** This arrangement creates a **conflict of interest**. In light of the conflict of interest, a client may direct the Registrant, in writing, not to purchase FFB investments/products for his/her/its accounts.

In the event that a client requires a banking relationship (i.e., a bank account, loan, trust services, consulting services, etc.), the Registrant's employees may refer the client to FFB, in return for which referral the employee may be compensated (generally, employee referrals will be considered when determining the employee's quarterly and/or annual bonus). This referral arrangement creates a **conflict of interest**. In light of the conflict of interest, no client is under any obligation to use FFB's services, and the Registrant shall work with any bank of the client's choosing.

In the event that a client of the Registrant and/or customer of FFB requires insurance-

related services, FFB may refer the client to First Foundation Insurance Services, a licensed insurance agency owned by FFB, or an unaffiliated licensed insurance agency, as a result of which First Foundation Insurance Services (the Registrant's affiliate) shall generally receive a commission, thereby creating a **conflict of interest**. In addition, the referring Registrant employee may indirectly be compensated (generally, such employee referrals will be considered when determining the employee's quarterly and/or annual bonus). In light of the **conflict of interest**, no client is under any obligation to use First Foundation Insurance Services, and the Registrant shall work with any insurance agent of the client's choosing.

**FFB Referrals:** In addition to referrals from the Registrant's employees to FFB, FFB employees may refer prospective clients to the Registrant, in return for which referral the FFB employee may be compensated either directly by the Registrant and/or such referrals will be considered by FFB when determining the employee's quarterly and/or annual bonus. Given the commonality of ownership and control of the Registrant and FFB, FFB is an affiliated solicitor as defined under Rule 206(4)-3 of the Investment Advisers Act of 1940, and, as such the FFB employee is not required to present a copy of the Registrant's Brochure, nor a separate disclosure statement indicating that he/she may receive referral compensation, at the time of the introduction to the Registrant. See disclosure at Item 14.B below.

**The Registrant's Chief Compliance Officer, Greg Bruce, shall remain available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment managers that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As stated more fully in Item 10, the Registrant is wholly-owned by First Foundation Inc. (FFI). FFI, through its Board of Directors have approved stock option plans to grant options to certain of the Registrant's Principals, affiliates, or related persons. Certain members of the board of directors and executives of FFI and the Registrant own or have options to own stock in FFI. The Registrant does not generally recommend to clients, or buy or sell for client accounts, FFI stock or options, except upon explicit request. However, these transactions present a conflict of interest for certain of the Registrant's related persons, including FFI's directors, officers, and employees who all generally have an aligned incentive for higher FFI stock prices. To address this conflict, as discussed more fully in Item 10, the



Registrant will not purchase FFI stock or options for a client account, unless expressly requested by a client. **The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions regarding this conflict of interest.**

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services, Registrant generally recommends that investment advisory accounts be maintained at *Charles Schwab, TD Ameritrade* and/or *Fidelity*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Registrant considers in recommending *Charles Schwab, TD Ameritrade* and/or *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with Registrant, financial strength, reputation, technology, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant’s clients shall comply with Registrant’s duty to obtain best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the transaction fee is reasonable. 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee.

**Non-Soft Dollar Research and Benefits:** Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Charles Schwab*, *TD Ameritrade* and/or *Fidelity* (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

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

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

**Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

### **Soft Dollar Arrangements**

In return for effecting securities transactions through a designated broker-dealer/custodian, Registrant qualifies to receive through its relationship with Investment Technology Group, Inc. certain investment research products or services which assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible

commission rates for client account transactions. Although the investment research products or services that may be obtained by Registrant will generally be used to service all of Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**

#### TD Ameritrade Institutional

The Registrant participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), 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. Registrant receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14 below.)

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

**Directed Brokerage.** Registrant recommends that its clients utilize the brokerage and custodial services provided by *Charles Schwab*, *TD Ameritrade* and/or *Fidelity*. Registrant generally does not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, a 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. **Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

#### **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on a minimum of an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

As indicated at Item 12 above, Registrant may receive from *Charles Schwab, TD Ameritrade* and/or *Fidelity* without cost (and/or at a discount), support services and/or products. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Charles Schwab, TD Ameritrade* and/or *Fidelity* as result of this arrangement. There is no corresponding commitment made by Registrant to *Charles Schwab, TD Ameritrade* and/or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the**

**above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

If a client is introduced to Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Registrant and the solicitor, including the compensation to be received by solicitor from the Registrant.

**Schwab Advisor Network**

Registrant receives client referrals from *Schwab* through Registrant's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. *Schwab* is a broker-dealer independent and unaffiliated with Registrant. *Schwab* does not supervise Registrant and has no responsibility for Registrant's management of clients' portfolios or Registrant's other advice or services. Registrant pays *Schwab* fees to receive client referrals through the Service. Registrant's participation in the Service may raise potential conflicts of interest described below.

Registrant pays *Schwab* a Participation Fee on all referred clients' accounts that are maintained in custody at *Schwab* and a Non-*Schwab* Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Registrant is a percentage of the fees owed by the client to Registrant or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Registrant pays *Schwab* the Participation Fee for so long as the referred client's account remains in custody at *Schwab*. The Participation Fee is billed to Registrant quarterly and may be increased, decreased or waived by *Schwab* from time to time. The Participation Fee is paid by Registrant and not by the client. Registrant has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Registrant charges clients with similar portfolios (pursuant to Registrant's standard fee schedule as in effect from time to time) who were not referred through the Service.

Registrant generally pays *Schwab* a Non-*Schwab* Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from *Schwab*, unless the client was solely responsible for the decision not to maintain custody at *Schwab*. The Non-*Schwab* Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at *Schwab*. The Non-*Schwab* Custody Fee is higher than the Participation Fees Registrant generally would pay in a single year. Thus, Registrant will have an incentive to recommend that client accounts be held in custody at *Schwab*.

The Participation and Non-*Schwab* Custody Fees will be based on assets in accounts of Registrant's clients who were referred by *Schwab* and those referred clients' family members living in the same household. Thus, Registrant will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at *Schwab* and to instruct *Schwab* to debit Registrant's fees directly from the accounts.

For accounts of Registrant's clients maintained in custody at *Schwab*, *Schwab* will not charge the client separately for custody but will receive compensation from Registrant's clients in the form of commissions or other transaction-related compensation on securities trades executed through *Schwab*. *Schwab* also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through *Schwab* rather than another broker-dealer. Registrant nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at *Schwab* may be executed through a different broker-dealer than trades for Registrant's other clients. Thus, trades for accounts custodied at *Schwab* may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

#### TD Ameritrade Institutional

As disclosed under Item 12. above, Registrant participates in *TD Ameritrade's* institutional customer program and Registrant may recommend *TD Ameritrade* to clients for custody and brokerage services. There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Registrant participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. *TD Ameritrade* may also have paid for business consulting and professional services received by Registrant's related persons. Some of the products and services made available by *TD Ameritrade* through the program may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Registrant manage and further develop its business enterprise. The benefits received by Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. As part of its fiduciary duties to clients, Registrant endeavors at all times to economic benefits by Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Registrant's choice of *TD Ameritrade* for custody and brokerage services.

Registrant may receive client referrals from *TD Ameritrade* through its participation in *TD Ameritrade AdvisorDirect*. In addition to meeting the minimum eligibility criteria for participation in *AdvisorDirect*, Registrant may have been selected to participate in *AdvisorDirect* based on the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, client accounts maintained with *TD Ameritrade*. *TD Ameritrade* is a discount broker-dealer independent of and unaffiliated with Registrant and there is no employee or agency relationship between them. *TD Ameritrade* has established *AdvisorDirect* as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to

independent investment advisors. *TD Ameritrade* does not supervise Registrant and has no responsibility for Registrant's management of client portfolios or Registrant's other advice or services. Registrant pays *TD Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Registrant ("Solicitation Fee"). For successful referrals made on or after April 10, 2017 this fee will be based on a percentage of the value of the assets in the client's account. Registrant will also pay *TD Ameritrade* the Solicitation Fee on any advisory fees received by Registrant from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Registrant on the recommendation of such referred client. Registrant will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *TD Ameritrade* to its clients. For information regarding additional or other fees paid directly or indirectly to *TD Ameritrade*, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Registrant's participation in AdvisorDirect raises potential conflicts of interest. *TD Ameritrade* will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at *TD Ameritrade* and whose client accounts are profitable to *TD Ameritrade*. Consequently, in order to obtain client referrals from *TD Ameritrade*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. In addition, Registrant has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from *TD Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Registrant serves on the TD Ameritrade Institutional Advisor Panel ("Panel"). The Panel consists of approximately thirty (30) independent investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor community. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for three-year terms by TDA Institutional senior management. An investment advisor may serve longer than three years if appointed to additional terms by TDA Institutional senior management. At times, Panel members are provided confidential information about TDA Institutional initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate Panel members. However, TD Ameritrade pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending Panel meetings. The benefits received by Registrant or its personnel by serving on the Panel 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 Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of TD Ameritrade for custody and brokerage services. **The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding conflict of interest any such arrangement may create.**



## Item 15      Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

The Registrant engages in certain practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## Item 16      Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

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

## Item 17      Voting Client Securities

- A. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include the following a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on



employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Greg Bruce.

- B. As set forth in Section 17A, the Registrant votes client proxies.

## **Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**