

# Williams, Jones & Associates, LLC

SEC File Number: 801 – 31832

## Brochure Dated 3/16/2017

Contact: Jeff Schweon, Chief Compliance  
Officer

717 Fifth Ave., 11th Floor  
New York, New York 10022  
[www.williamsjones.com](http://www.williamsjones.com)

**This brochure provides information about the qualifications and business practices of Williams, Jones & Associates, LLC (“Registrant”). If you have any questions about the contents of this brochure, please contact us at (212) 935-8750 or [jschweon@williamsjones.com](mailto:jschweon@williamsjones.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 Williams, Jones & Associates, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Williams, Jones & Associates, LLC 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**

There have been no material changes made to Williams, Jones & Associates, LLC's disclosure statement since last year's Annual Amendment filing on March 5, 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 .....	7
Item 6	Performance-Based Fees and Side-by-Side Management .....	8
Item 7	Types of Clients .....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9	Disciplinary Information .....	13
Item 10	Other Financial Industry Activities and Affiliations .....	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12	Brokerage Practices .....	16
Item 13	Review of Accounts .....	20
Item 14	Client Referrals and Other Compensation .....	21
Item 15	Custody .....	23
Item 16	Investment Discretion .....	24
Item 17	Voting Client Securities .....	24
Item 18	Financial Information .....	25

#### **Item 4            Advisory Business**

- A. Registrant is a limited liability company formed on June 26, 2006 in the State of Delaware. Registrant became registered as an Investment Adviser Firm in April 1988. Registrant is owned by Williams, Jones & Associates, Inc. William P. Jones, Jr. is Registrant's Chairman and Co-Managing Director, John J. Eager, Jr. is Registrant's President and Co-Managing Director, and Jeff Schweon is Registrant's Chief Legal Officer.
  
- B. As discussed below, Registrant offers to its clients (individuals, family groups, retirement plans, institutions, trusts, estates and not-for-profit organizations) investment advisory services. Registrant **does not** hold itself out as providing financial, estate, or insurance planning services, but many provide ancillary services as discussed herein.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Registrant to provide discretionary or non-discretionary investment advisory services on a *fee-only* basis. Registrant's annual investment advisory fee is generally based upon a percentage of the market value of the assets placed under Registrant's management.

Registrant's annual investment advisory fee rate is no higher than 1% of the market value of the assets placed under Registrant's management, with such fee percentage subject to reduction based upon the amount of total assets placed under Registrant's management for the client relationship. With respect to tax exempt municipal bond assets, Registrant's annual investment advisory fee rate is generally no higher than .50% of the market value of the municipal bond assets placed under Registrant's management.

#### **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** Although Registrant does not hold itself out as providing financial planning services, to the extent specifically requested by a client, Registrant *may* provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate and tax planning, that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis. Registrant *may* at some point determine to charge a fee for such consulting services, but does not currently. Registrant does not serve as an attorney, accountant, or

licensed insurance agent, and no portion of Registrant's services should be construed as offering the same. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes, such as attorneys and accountants. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant. **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 Registrant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations or services.

**Private Investment Funds.** Registrant may provide investment advice regarding 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 the purposes of Registrant calculating its investment advisory fee. **Registrant's clients are under no obligation to consider or make an investment in a private investment fund.**

**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 that are provided to each client for their review and consideration. Unlike liquid investments that a client may maintain, 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 client is qualified for investment in the private 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 such private investment funds shall reflect either the initial purchase or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (or a value as of a previous date), the current

value(s) (to the extent ascertainable) could significantly differ from the original purchase price.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions or events (there being **no guarantee** that such anticipated market conditions or events will occur), Registrant *may* maintain cash positions for defensive purposes. All cash positions, including investment in money market funds, shall generally be included as part of assets under management for purposes of calculating Registrant's advisory fee.

**Registrant's Chief Compliance Officer, Jeff Schweon, is available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot effect any account transaction without first obtaining prior verbal or written consent to any such transaction from the client. Thus, in the event of a market correction during which the client is unavailable, Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal or written consent.

**Retirement Plan Rollovers – No Obligation / 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 the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. Registrant's Chief Compliance Officer, Jeff Schweon, 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 recommendation**

**Sub-Advisory/Portfolio Manager Arrangements.** Registrant may be engaged as a sub-advisor or portfolio manager by other, unaffiliated registered investment advisers (each, an "*Unaffiliated Adviser*"). When engaged as a sub-advisor, Registrant shall have discretionary authority for the day-to-day management of the assets allocated by the *Unaffiliated Adviser* for Registrant's management. Registrant shall also receive a management fee directly from the *Unaffiliated Adviser*. Individual clients of the *Unaffiliated Adviser* do not select Registrant directly. The *Unaffiliated Adviser* engages Registrant on behalf of the

*Unaffiliated Adviser's* client to manage that particular client's account. Accordingly, Registrant is relying on the *Unaffiliated Adviser's* assessment to determine if Registrant's investment strategy is suitable and appropriate for the *Unaffiliated Adviser's* client.

**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 the client's responsibility to promptly notify Registrant if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations or services.

**Disclosure Statement.** A copy of Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Management Agreement*.

**Class Action Litigation Filing Service.** Registrant has retained the services of Chicago Clearing Corporation ("CCC") to assist with the proliferation of securities class action litigation and the complexities of the claim filing process. CCC's sole business is securing class action claims. CCC monitors each claim that a client may have, collects the applicable trade history and documentation (beneficial owner name and tax identification), interprets the terms of each settlement, files the appropriate claim form, interacts with the administrators and distributes client's award on its behalf. CCC charges a contingency fee of 15%, which is subtracted from client's award when the award is paid. If client chooses to participate in this service, client will be required to provide private information to CCC to assist with the class action suit research, which information CCC is contractually obligated to keep confidential. Client may opt-out of this service pursuant to the Firm's Investment Management Agreement, but, if client does so, neither Registrant nor CCC will monitor any class action suits from which client may be entitled to awards or process any claim forms on client's behalf.

- C. Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, a portfolio manager of Registrant will ascertain each client's investment objectives. Thereafter, Registrant shall allocate and recommend that the client allocate investment assets consistent with the designated investment objective. The client may, at any time, impose reasonable restrictions, in writing, on Registrant's services.
- D. Registrant does not participate in any wrap fee program.
- E. As of March 10, 2017, Registrant had \$6,161,947,932 in assets under management on a discretionary basis and \$424,549,073 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage Registrant to provide discretionary or non-discretionary investment advisory services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage Registrant to provide discretionary or non-discretionary investment advisory services on a *fee-only* basis, Registrant's annual investment advisory fee shall generally be based upon a percentage of the market value and type of assets placed under Registrant's management.

Registrant's annual investment advisory fee rate is no higher than 1% of the market value of the assets placed under Registrant's management, with such fee percentage subject to reduction based upon the amount of total assets placed under Registrant's management for the client relationship. With respect to tax exempt municipal bond assets, Registrant's annual investment advisory fee rate is generally no higher than .50% of the market value of the municipal bond assets placed under Registrant's management.

- B. Clients may elect to have Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Management Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Registrant's investment advisory fee and to directly remit that management fee to Registrant in compliance with regulatory procedures. In the limited event that Registrant bills the client directly, payment is due upon receipt of Registrant's invoice. Registrant generally deducts fees and bills 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, Registrant may suggest custodial services provided by one of the following entities - Charles Schwab and Co., Inc. ("*Schwab*"), Fiduciary Trust International ("*Fiduciary Trust*"), State Street Brokerage Services Inc. ("*State Street*"), Bank of New York/Pershing LLC ("*BNY/Pershing*"), TD Ameritrade Institutional ("*TD Ameritrade*"), or Morgan Stanley – to serve as the broker-dealer/custodian for client investment management assets. Broker-dealers, such as *Schwab*, *BNY/Pershing*, *Fiduciary Trust*, *Morgan Stanley*, *TD Ameritrade* and *State Street*, charge brokerage commissions and transaction fees for effecting certain securities transactions (*i.e.*, transaction fees are charged for certain no-load mutual funds and commissions are charged for individual equity and fixed income securities transactions) and may also charge a custodial fee for the assets held by such custodian. In addition to Registrant's investment management fee, and brokerage commissions, transaction and custody fees, clients will also incur, relative to all mutual fund and

exchange-traded fund purchases, charges imposed at the fund level, such as management fees and other fund expenses. When beneficial to the client, individual fixed-income or equity transactions may be effected through broker-dealers with whom Registrant or the client have entered into arrangements for prime or executing brokerage clearing services, including 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 the custodian.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, based upon the market value of the assets on the last business day of the previous quarter. Registrant generally requires an aggregate minimum account asset level of \$1,000,000 for investment management services. Registrant, in its sole discretion, may reduce or waive its minimum account asset level requirement or charge a different investment management fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, or negotiations with client.

The *Investment Management Agreement* between Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Management Agreement*. Upon termination, 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. Registrant does not accept compensation from the sale of securities or other investment products, except for soft dollars as discussed herein.

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

Registrant does not accept performance-based fees.

## **Item 7                      Types of Clients**

Registrant's clients generally include individuals, family groups, retirement plans, institutions, trusts, estates and not-for-profit organizations. Registrant generally requires a minimum account asset level of \$1,000,000 for investment management services. Registrant, in its sole discretion, may reduce or waive its minimum account asset level requirement or charge a different investment management fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, or dollar amount of assets to be managed, related accounts, account composition, or negotiations with client.



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

- A. Registrant may consider various methods of securities analysis, including charting analysis that utilizes patterns to identify current trends and trend reversals to forecast the direction of prices, fundamental analysis on historical and current data with the goal of making financial forecasts, technical analysis on historical and current data that focuses on price and trade volume to forecast the direction of prices, and cyclical analysis on historical relationships between price and market trends to forecast the direction of prices.

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)
- Trading (securities sold within thirty (30) days)

**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 investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level.

- B. 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, Registrant must have access to current market information. Registrant has no control over the dissemination rate of market information. Accordingly, without the knowledge of Registrant, certain analyses may be compiled with outdated market information, thereby severely limiting the value of Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurance that a forecasted change in market value will materialize into actionable or profitable investment opportunities.

Registrant's primary investment strategies – long-term purchases, short-term purchases and trading - 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 horizon to allow for the strategy to develop. Shorter-term investment strategies require a shorter investment time period to develop, but, as a result of more frequent trading, may incur higher transactional costs when compared with a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30)-day investment time period, involves a very short investment time period but will incur higher transaction costs when compared with a short-term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, Registrant primarily allocates client investment assets among various individual equity (stocks), fixed income securities (bonds and bond funds), mutual funds, exchange traded funds (“*ETFs*”) and alternative investments (“*hedge funds*”) on a discretionary and non-discretionary basis in accordance with the client’s designated investment objectives.

Registrant’s investment approach generally focuses on long-term growth of client capital through proper asset allocation, growth and value equity and active fixed-income management. Registrant offers a blend of traditional and alternative investment products that are customized to meet client objectives. Most of Registrant’s clients are high net worth individuals and related accounts. Registrant reviews each client’s overall circumstances and investment objectives in determining an appropriate investment approach for that client.

Registrant’s investment process is comprised of four main elements: asset allocation; equity management; fixed income management; and alternative investments. The investment process is built on an asset allocation framework based on each client’s investment objectives, such as income and liquidity requirements, financial goals, tax status, risk tolerance and capital growth goals. Registrant has no bias to a particular asset class and will adjust a client’s asset allocation based on changing client needs as well as the changing risk/reward trade-offs of various investment alternatives. Registrant believes that globalization, volatility, government intervention and the faster pace of economic and financial market changes argue for an active asset management process.

Registrant’s equity approach generally focuses on investing in mid-to-large cap businesses (over \$5 billion market cap) with market leadership, superior financial characteristics and strong management that sell at relatively low P/E or cash flow multiples, known as growth at a reasonable price (GARP) strategy. Registrant may also utilize Exchange Traded Funds (ETFs) to gain diversification to specific areas, such as international and small cap equities. Registrant customizes portfolios in accordance with client objectives, while managing around low-cost holdings and optimizing tax efficiency.

Registrant’s fixed income strategy concentrates on constructing portfolios of high quality, investment grade, intermediate-term bonds, with the goal of superior risk-adjusted returns. Registrant structures tax efficient portfolios tailored to client preferences and constraints. Registrant capitalizes on municipal bond market inefficiencies to enhance client return. The fixed income investment process focuses on in-depth credit research, strategic yield curve positioning, bond structure analysis, duration management, portfolio diversification and zero default tolerance. Average credit quality is A to A+. Fixed income investments are generally in essential service bonds with a history of timely disclosure. Registrant underweights state and local GO’s and the high yield sector while overweighting essential service bonds along the

intermediate portion of the yield curve. Active management along the yield curve and appropriate sector selection add to performance.

**Private Investment Funds.** Registrant may provide investment advice regarding private investment funds/alternative investment management. Registrant's alternative investment management approach focuses primarily on investments in hedge funds. A hedge fund is a private investment portfolio that is usually structured as a limited partnership or limited liability company and open only to accredited investors or qualified purchasers. The general partner invests the limited partner's capital based upon the fund's investment strategies. The general partner typically charges an incentive fee based on performance. Registrant selects hedge funds based on adherence to an investment style, leverage, quality of investment team, risk control measures and historical performance results. Registrant invests in a diverse group of funds, including long/short equity, fixed income arbitrage, event driven distressed and global macro.

From time to time, Registrant may become aware of non-public offerings of securities, in particular, hedge funds ("*Private Investments*"), that Registrant believes would be suitable investments for certain clients. To permit its clients to participate in these opportunities, Registrant has formed a limited liability company – WJA Alternative Investment Strategies I, LLC ("*WJA Alternative Strategies*") – that creates separate series for each hedge fund investment ("*Series*") in which its clients combine their resources and thereby satisfy any minimum purchase requirements. Such investments will be subject to the fees of the *Private Investment* manager, if applicable, as well as to investment management fees charged by Registrant.

From time to time, Registrant has, and may in the future also participate in, private equity transactions. Investments in privately-held companies for which market quotations are not readily available are valued at fair value as estimated by Registrant. The transaction price is typically the best estimate of fair value at inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect exit values. Ongoing reviews by Registrant are based on, as applicable, an assessment of the underlying investment's current operations, current financial information, original cost and holding period, evaluation of business and management, recently executed and planned financing transactions and expected cash flows and performance multiples.

Registrant served as the investment manager for Greenwich Mooney Management Housing, L.P., a Delaware limited partnership (the "*Housing Fund*") whose primary objective was to generate income that was exempt from federal income taxation through investment in mortgage-related bonds, including single-family and multi-family housing bonds, bonds guaranteed by federal housing agencies,

including but not limited to the Government National Mortgage Association, The Federal Housing Administration, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, as well bonds guaranteed by state mortgage-financing agencies, and any other similar federal or state agencies or initiatives formed in the future, the interest on which is exempt from federal income taxation. As of March 1, 2013, the Housing Fund was converted into a Delaware limited liability company and renamed WJA Housing Bond Fund, LLC. Registrant formed a Delaware limited liability company – WJA Housing Bond Fund Managing Member, LLC – that acts as managing member of the Housing Fund, with Registrant continuing as investment manager of the Fund. The primary investment objective of the Housing Fund has remained unchanged. The Fund pays a management fee to Registrant of 0.50% per annum of the capital account of each member of the *Housing Fund*, payable on a quarterly basis in advance. Registrant charges no additional management or other fee for client assets invested in the *Housing Fund* on top of the investment management fee charged to the Housing Fund.

Registrant serves as the investment manager for WJA Value Equity Fund, LLC, a Delaware limited liability company (the “*Value Equity Fund*”), whose primary objective is to achieve favorable returns by investing in well-researched equity securities traded primarily in the U.S. market. The value Equity Fund seeks long positions in stocks that Registrant believes are undervalued. Registrant formed a Delaware limited liability company – WJA Value Equity Fund Managing Member, LLC – that acts as managing member of the *Value Equity Fund*. The Fund pays a management fee to Registrant of 1.00% per annum of the capital account of each member of the *Value Equity Fund*, payable on a quarterly basis in advance. Registrant charges no additional management or other fee for client assets invested in the *Value Equity Fund* on top of the investment management fee charged to the *Value Equity Fund*.

For those clients that engage Registrant on a discretionary basis, as indicated in the Investment Management Agreement, unless the client has advised Registrant to the contrary, Registrant may, on a discretionary basis, invest a portion of the client’s investment assets into a *Series*, the *Housing Fund*, or the *Value Equity Fund* in the same manner as it would allocate client assets among other types of investments (*i.e.*, individual equity and fixed income, mutual funds, and *ETFs*).

**Please Note/Conflict of Interest:** Because Registrant could, but currently does not, receive an advisory fee as a result of any *Series*, the *Housing Fund*, or the *Value Equity Fund* in excess of that which it would receive if the client determined not to provide Registrant with discretionary authority to invest a portion of client assets in one or more *Series*, the *Housing Fund*, or the *Value Equity Fund*, Registrant’s authority to do so presents a potential **conflict of interest**. No client is under any obligation to become an investor in one or more *Series*, the

*Housing Fund*, or the *Value Equity Fund*. That portion of a client's assets that are invested in one or more *Series* shall also be included in the assets under management for the purpose of Registrant calculating its advisory fee above. Registrant could be (but is not currently) compensated for its services from both the client and from the hedge funds underlying each *Series*. Any client who does not wish any portion (or desires to restrict the portion so invested) of client's assets invested in one or more *Series*, the *Housing Fund*, or the *Value Equity Fund* must notify Registrant in writing.

**Registrant's Chief Compliance Officer, Jeff Schweon, is available to address any questions regarding this potential conflict of interest.**

**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 the offering documents for each *Series*, the *Housing Fund* and for the *Value Equity Fund* that is provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, 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 the client is qualified for investment in each *Series*, the *Housing Fund*, or the *Value Equity Fund* and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** Registrant references interests in each *Series*, the *Housing Fund* and the *Value Equity Fund* owned by the client on its quarterly account report. The value of the Private Investment fund underlying each *Series* shall reflect the initial purchase price (i.e., original cost) and the most recent valuation provided by the Private Investment fund. As such, the initial purchase price of a *Series*, the *Housing Fund*, or the *Value Equity Fund* could be **significantly different from** its current value.

## **Item 9            Disciplinary Information**

Registrant has not been the subject of any disciplinary actions.

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

- A. Registrant is not registered nor does it have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

- B. Registrant is not registered nor does it 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. Registrant has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Registrant does not recommend or select other investment advisors for its clients.

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

- A. 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 employees 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, Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Registrant or any person associated with Registrant.

- B. As disclosed above, Registrant may, on a discretionary basis, invest a portion of the client's investment assets in the alternative investment area via a *Series*, the *Housing Fund*, or the *Value Equity Fund* formed and managed by Registrant. (See Item 8.C above)

**Please Note/Conflict of Interest:** Because Registrant could, but does not presently nor is it Registrant's intent to, receive an advisory fee from the hedge funds underlying each *Series* in excess of that which it would receive if the client determined not to provide Registrant with discretionary authority to invest a portion of client assets in one or more of *Series*, the *Housing Fund*, or the *Value Equity Fund*, Registrant's authority to do so presents a potential **conflict of interest**. No client is under any obligation to become an investor in any *Series*, the *Housing Fund*, or in the *Value Equity Fund*. ~~That portion~~ Those portions of a client's assets that are invested in *Series* are also included in the assets under management for the purpose of Registrant calculating its advisory fee above. Thus, Registrant may be compensated for its services from both the client and the nature of client assets invested in a *Series*. The *Housing Fund* and the *Value Equity Fund* pay a management fee to Registrant of 0.50% and 1.00% per annum, respectively, of the capital account of each member of the *Housing Fund* and the *Value Equity Fund*, respectively, payable on a quarterly basis in advance. Registrant charges no additional management or other fee to a client for client assets invested in the *Housing Fund* or the *Value Equity Fund* on top of the investment management fee charged to each such fund.

The fees received by Registrant for client assets invested in a *Series* cover Registrant oversight of each *Series*, in particular, the third-party hedge fund underlying each *Series*. The fees received by Registrant from the *Housing Fund* and the *Value Equity Fund* for client assets invested in each such fund cover Registrant's investment management of such fund. Each *Series*, the *Housing Fund* and the *Value Equity Fund* covers its share of administrative costs, such as audit, accounting and custodial fees. Any client who does not wish any portion (or desires to restrict the portion so invested) of client's assets invested in a *Series* or in the *Housing Fund* or *Value Equity Fund* must notify Registrant in writing.

**Registrant's Chief Compliance Officer, Jeff Schweon, is available to address any questions regarding this potential conflict of interest.**

- C. The employees of Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Registrant's employees are in a position to benefit materially 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 such security for investment and then immediately sells it at a profit upon the rise in the market price that follows the recommendation) could take place if Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help to detect insider trading, "front-running" (*i.e.*, personal trades executed prior to those of Registrant's clients) and other potentially abusive practices.

Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Registrant's "Access Persons". Registrant's securities transaction policy requires that Access Person of Registrant must provide the Chief Compliance Officer or his designee with a written report (in the form of securities statements) 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 designee with duplicate securities statements at least once each calendar quarter thereafter. It is the policy of Registrant to have all personal securities accounts of its Access Persons on Registrant's portfolio management system and to have all securities, subject to certain exceptions, traded through Registrant's trading function.

- D. 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 employees of Registrant are in a position to benefit materially from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Registrant's Access Persons.

## Item 12 Brokerage Practices

- A. In the event that the client requests that Registrant recommend a broker-dealer or custodian for execution or custodial services (exclusive of those clients who may direct Registrant to use a specific broker-dealer or custodian), Registrant may recommend that investment management accounts be maintained at *Schwab, Fiduciary Trust, State Street, Morgan Stanley, TD Ameritrade, or BNY/Pershing*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Management Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial agreement with each designated custodian. The relationship of Client with his custodian is separate and independent of his relationship with Registrant.

Factors that Registrant considers in recommending the above-referenced entities (or in evaluating any other broker-dealer or custodian to clients) include historical relationship with Registrant, financial strength, reputation, execution capabilities, pricing, efficiency, technology, research and service.

A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the commission or transaction fee is reasonable. In evaluating broker 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, efficiency, technological capabilities, 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 or custodian are exclusive of, and in addition to, Registrant's investment management fee. Registrant's best execution responsibility is satisfied if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits; Soft Dollars. Generally, in addition to a broker's ability to provide "best execution," Registrant may also consider the value of "research" or additional brokerage products and services a broker-dealer/custodian – for example, *Instinet, BNY ConvergeX, Schwab, TD Ameritrade, BNY/Pershing, Barclays Capital, Sanford Bernstein, Wells Fargo, Morgan Stanley, or William Blair* - has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to Registrant, and because the "soft dollars" used to acquire them are client assets, Registrant could be



considered to have a conflict of interest in allocating client brokerage business; it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation Registrant might otherwise be able to negotiate. In addition, Registrant could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services. Registrant's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), Registrant will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, Registrant generally determines, considering all the factors described below, that the compensation to be paid to the broker is reasonable in relation to the value of all the brokerage and research products and services provided by broker. In making this determination, Registrant typically considers not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

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. While 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 Registrant that have a mixed use of both research and non-research functions, 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 that provides administrative or other non-research assistance will be paid for by Registrant with hard dollars.

*Schwab* may also from time to time provide Registrant with other services intended to help the Registrant manage and further develop its business enterprise, including assistance in the following areas: consulting; publications and presentations; information technology; business succession; and marketing. In addition, *Schwab* may make available or arrange or pay for these types of services provided by independent third parties, including regulatory compliance.

Registrant participates in the institutional advisor program (the “Program”) offered by *TD Ameritrade*. *TD Ameritrade* 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 advisers’ 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. As disclosed 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 put the interests of its clients first. ~~clients~~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 the Registrant's choice of *TD Ameritrade* for custody and brokerage services.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer or custodian, Registrant may receive from a broker-dealer or custodian, without cost or at a discount, support services 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 or practice management-related publications, discounted or gratis consulting services, discounted or gratis attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware and software and other products used by Registrant in furtherance of its investment advisory business operations.

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

Registrant's clients do not generally pay more, on any overall basis, for investment transactions effected or assets maintained at *Schwab, Fiduciary Trust, TD Ameritrade, State Street, BNY/Pershing, or Morgan Stanley* as a result of this arrangement. There is no corresponding commitment made by Registrant to these entities 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 result of the above arrangement.

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

2. Registrant does not receive referrals from broker-dealers.
3. Registrant does not generally 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, clients 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.

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.

**Registrant's Chief Compliance Officer, Jeff Schweon, is available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. Transactions for each client account generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same time. 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 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 or time period, as appropriate. Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. Account reviews are conducted on an ongoing basis. Portfolio managers are responsible for reviewing the portfolio(s) of each of their clients. Registrant's Investment Committee, which consists of all of the Registrant's portfolio managers, determines the general policies and strategies to be utilized by portfolio managers. All clients are advised that it remains their responsibility to advise Registrant of any changes in their investment objectives or financial situation. All clients (in person or via telephone or e-mail) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Registrant on an annual basis.

- B. Registrant *may* conduct account reviews on other than a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives or financial situation, market corrections, or 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, or program sponsor for the client accounts. Registrant may also provide written periodic reports summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Registrant receives an economic benefit from its broker-dealers. Registrant, without cost (or at a discount), may receive support services or products from broker-dealers.

Registrant's clients do not pay more for investment transactions effected or assets maintained at such broker-dealers as a result of this arrangement. There is no corresponding commitment made by Registrant to any broker-dealer 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, Jeff Schweon, is available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. General. 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 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 the solicitor from Registrant.

Schwab Advisor Network. Registrant receives client referrals from Schwab through Registrant's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer

independent of 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 the client owes 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 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. This Fee does not apply if 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 with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor 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 executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Registrant may have an incentive to cause 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.

Schwab Advisor Services Advisory Board Membership. Jeff Schweon, Chief Legal and Compliance Officer of Registrant, serves on the Schwab Advisor Services Advisory Board (the "*Board*"). As described above, Registrant may recommend that clients establish brokerage accounts with Schwab to maintain custody of the clients' assets and effect trades for their accounts. The Board consists of approximately 20 representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Board members serve for two-year terms. Mr. Schweon's term expires at the end of 2017. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange and the NASDAQ stock market (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Board members' travel, lodging, meals and other incidental expenses incurred in attending Board meetings.

## **Item 15      Custody**

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 custodian for the client accounts. Registrant may also provide written periodic reports summarizing account activity and performance.

To the extent that Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Registrant with the account statements received from the account custodian and to report any suspected errors to Registrant and account custodian. The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

As Registrant manages and is the investment adviser for certain private funds (see Item 8.C herein), it is deemed to have custody of such funds pursuant to Rule 206(4) of the Investment Advisers Act.

Registrant has, as required by said Rule, engaged an independent public accountant that is registered with, and subject to inspection by, the PCAOB (Public Company Accounting Oversight Board) for audits of such private funds for fiscal years beginning on or after January 1, 2010. If, for any reason, any such fund is not capable of being audited, Registrant will include such fund(s) in its annual surprise audit examinations discussed below.

As Registrant serves as trustee and investment adviser on certain accounts, it is deemed to have custody of such accounts pursuant to Rule 206(4) of the Investment Advisers Act. As required by said Rule, Registrant has engaged a certified public accountant to perform annual surprise examinations of said trust accounts on or prior to December 31 of each calendar year.

## **Item 16 Investment Discretion**

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

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

## **Item 17 Voting Client Securities**

- A. Registrant does not generally vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other types of events pertaining to the client's investment assets. Notwithstanding the foregoing, for those clients who wish for Registrant to vote their proxies, Registrant has retained the services of Broadridge Information Security/ProxyEdge to assist with this effort. Registrant bears the entire cost of such service.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Registrant to discuss any questions they may have with respect to a particular solicitation.



**Item 18      Financial Information**

- A. Registrant does not solicit fees of more than \$1,200 per client, six months or more in advance.
- B. 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. Registrant has not been the subject of a bankruptcy petition.

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