

# COBBLESTONE

## CAPITAL ADVISORS

### **Part 2A of Form ADV: *Firm Brochure***

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**SEC rules under the Investment Advisers Act require the adviser to deliver a brochure and one or more *Brochure Supplements* to each client that contains all the information required by Part 2 of Form ADV.**

This brochure provides information about the qualifications and business practices of Cobblestone Capital Advisors, LLC. (hereinafter “CCA” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (585) 473-3333 or at [tmb@cobblestonecap.com](mailto:tmb@cobblestonecap.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 CCA is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for CCA is 108023. Registration with the Securities and Exchange Commission does not imply any level of skill or training.

**Item 2.        Summary of Material Changes**

Since the filing of our Annual Updating Amendment filing dated March 28, 2017, we have the following material changes to report:

- Our office address has changed as of November 27, 2017.

**Item 3. Table of Contents**

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

CCA is a fee-only SEC-registered investment adviser (SEC File Number 801-55482). Our principal place of business is located in Rochester, New York. Our firm has been in business since 1998. John T. DiPasquale, Managing Member, Thomas Bartlett, Member and Chief Compliance Officer, and Peter Greaves-Tunnell, Member, are CCA's primary owners.

Discretionary assets under our firm's management were \$1,399,449,143 as of December 31, 2016.

Non-discretionary assets under our firm's management were \$94,731,410 as of December 31, 2016.

Our firm provides investment services to address a broad range of investor needs. These services fall into several general categories:

##### Portfolio Management Services

Our firm manages individually tailored investment portfolios for clients. We provide continuous advice regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or individual investment plan and create and manage a portfolio based on that policy or plan. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We will manage advisory accounts on a discretionary or non-discretionary basis, as agreed with each client. Our non-discretionary services are primarily targeted to institutional clients. For discretionary accounts, we will implement transactions without seeking prior client consent. However, clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. For non-discretionary accounts, we will seek prior client consent for every contemplated transaction. Therefore, clients with non-discretionary accounts should understand that any delay in obtaining consent may result in less favorable transaction terms, including higher security price and/or higher commissions and/or limited availability of the securities sought.

Account supervision is guided by the stated objectives of the client (i.e., aggressive growth, moderate growth, balanced growth and income, or income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, industry sectors, tax constraints or consultation preferences.

### Private Placement Management Services

CCA serves as investment manager, in either advisory or sub-advisory capacity, to various private funds (collectively, “Funds”).

Interests in the Funds are offered in reliance upon various exemptions available under the securities laws for transactions in securities not involving a public offering. CCA manages the Funds on a discretionary basis in accordance with the terms and conditions of the Funds’ Private Placement Memoranda and organizational documents.

Prospective investors in the Funds should be aware of additional risks, restrictions on withdrawals and redemptions and other important information associated with investment in the Funds. This information is outlined in the Funds’ Private Placement Memoranda and subscription documents. Prospective investors should refer to the Private Placement Memoranda and subscription documents for information regarding these important additional considerations and risk.

Fund documents may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

### Financial Planning Services

Financial planning involves a comprehensive evaluation of a client’s current and future financial circumstances. Output may include projections of future cash flows and asset values based on various withdrawal plans, currently known variables and reasonable assumptions. Additional financial planning services may include estate plan illustration and analysis, and consolidated investment, performance and tax reporting. Clients electing this service will receive continuous assistance in analyzing their relevant financial circumstances.

In general, the financial plan may address any or all of the following areas of concern:

- Personal: Family records, budgeting, personal liability, estate information and financial goals;
- Tax & Cash Flow: Income tax and spending analysis and planning for past, current and future years. We will illustrate the impact of various investments on a client's current income tax and future tax liability;
- Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis;
- Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals;
- Investments: Analysis of investment alternatives and their effect on a client's portfolio;

- Estate: Analysis of financial issues with respect to living trusts, wills, estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law; and
- Insurance: Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

We gather required information through in-depth personal interviews. Information gathered includes a client's current financial status, tax status, future goals, return objectives and attitudes towards risk. We carefully review documents supplied by the client. We will only provide Financial Planning Services to those clients who elect our Portfolio Management Services and who meet our relevant account size minimums. Therefore, it is expected that clients will implement their securities-related financial planning recommendations through our firm. We will work closely with their attorney, accountant, insurance agent, and/or other professional. The implementation of any specific financial plan recommendations is entirely at the client's discretion.

#### Family Office Services:

For those clients who meet certain established account size minimums, our firm provides comprehensive Family Office services to high net worth individuals and families to assist them in achieving their goal of a lasting legacy for future generations. Family Office services are structured to offer an integrated, interdisciplinary approach to aggregating and focusing family resources and values to facilitate a common interest in asset protection, cost control, financial education, and family philanthropy, among others. Our Family Office services provide family-specific, custom solutions and relationship management and may include:

- Portfolio Management and Financial Planning (as separately described above)
- Simplified, consolidated reporting of account holdings and performance
- Comprehensive Risk Management Consulting
- Integration of Tax & Investment Strategies
- Bill Paying Services
- Philanthropy Planning/Charitable Giving
- Family Retreats/Meetings
- Development of a “Family Constitution” memorializing the goals and values of the family
- Facilitation of Inter-Generational/Inter-Family Communications and Mediation of Inter-Family Conflict

#### Services in General

Our advisory recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will primarily include advice regarding the following instruments:

- Exchange-listed securities
- Exchange traded funds (ETFs)

- No-load and load-waived mutual funds
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States government securities
- Securities of foreign issuers
- Private, illiquid real asset and income-oriented investments for the Funds

We tailor our portfolio management and financial planning recommendations to the individual needs of each client. Such recommendations are tailored based on information gathered through electronic communications, telephone conversations, in-person discussions, and relevant fund documents. The firm may utilize a model managed approach for certain client portfolios to fulfill specific investment objectives when not constrained by tax circumstances or client preferences.

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

### Portfolio Management Services

For discretionary accounts, we charge an annual fee based on a percentage of assets under our management, in accordance with the following schedule:

<u>Assets Under Management (\$)</u>	<u>Annual Fee (%)</u>
\$0 to \$1,500,000	1.00%
\$1,500,001 and above	0.75%
A few accounts are charged flat fees for periodic investment advice through consultations.	

For non-discretionary accounts, we charge an annual fee based on a percentage of assets under our management, in accordance with the following schedule:

<u>Assets Under Management (\$)</u>	<u>Annual Fee (%)</u>
First \$10 million	0.40%
Next \$10 million	0.25%
Above \$20 million	0.20%

Depending on the particular arrangement with each client, we will either invoice clients or directly debit their custodial accounts for portfolio management fees.

Portfolio management fees are billed in advance at the beginning of each quarter, based upon the billable balance on the last day of the previous calendar quarter, pro-rated for additions and withdrawals.

### Private Placement Management Services

Fund management fees, carried interest and applicable expenses are outlined with specificity in each Fund's relevant offering documents. Certain fund investors who are also advisory clients of CCA may invest in share classes that allow them to pay in accordance with their investment advisory fee schedules rather than non-client compensation of a differing share class.

Certain Funds' terms state that instead of a particular Fund paying expenses directly, it would pay CCA a fixed percentage quarterly fee and CCA would use proceeds from this fee to pay third-party vendors directly. Under such arrangements, potential conflicts of interest may arise between CCA and a Fund. There is incentive for CCA to contract with low-cost service providers on behalf of a Fund in order to limit the aggregate amount of its expense liabilities. If those low-cost vendors provide an inferior level of service compared to what was otherwise available to a Fund, the experience of investors and the performance of the Fund could suffer. Additionally, it is possible that such an arrangement will result in a Fund paying CCA more than the actual amount of expenses incurred. In this event, CCA is entitled to keep the difference to offset other indirect costs associated with administering this or other Funds. Consequently, one Fund may end up subsidizing expenses of another Fund under certain circumstances.

### Financial Planning Services/Family Office Services

We do not charge any additional fees for these services from clients who have elected our firm for Portfolio Management Services. Family Office clients must typically meet a minimum annual fee requirement.

### Fees in General

Fees and account minimums for all services are negotiable 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, competitive considerations, etc.). Discounts, not generally available to our advisory clients, may be offered to family members of CCA employees. CCA and/or the General Partner may elect to waive or reduce the management fee in whole or in part for any Limited Partner.

We may group certain related client accounts for the purposes of determining the account size and/or annualized fee.

Certain legacy client agreements may be governed by fee schedules different from those listed above.

Under no circumstances will we earn fees in excess of \$1,200 for a period of more than six months in advance of services rendered.

### Account Termination

Clients will have a period of five (5) business days from the date of signing the agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, the client may terminate the agreement by providing us with a written notice at our principal place of business. Upon termination of any account, any prepaid, unearned fees will be promptly



refunded, and any earned, unpaid fees will be due and payable. Clients should contact Thomas Bartlett, Member and Chief Compliance Officer, directly with any questions regarding refunds.

Investors should refer to the Funds' Private Placement Memoranda and relevant offering documents for a detailed account of termination and withdrawal provisions.

#### Mutual Fund and ETF Fees and Expenses

All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund or and ETF directly, without the services of our firm. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or funds or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and ETFs and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Brokerage and Custodial Fees

In addition to advisory fees paid to our firm, clients will also be responsible for all transaction, brokerage, trade-away and custodial fees incurred as part of their account management. Please see Item 12 of this Brochure for important disclosures regarding our brokerage practices.

#### Side Letters

CCA or the General Partner may in the future, waive or modify the terms of investment for certain large or strategic investors, in side letters or otherwise, in its sole discretion, including but not necessarily limited to, a waiver or lowering of Management Fees, a waiver or lowering of the Incentive Allocation, preferential redemption rights, "Key Man" event provisions, "Most Favored Nation" status and/or increased transparency or reporting.

#### Additional Compensation

Neither our firm nor any of our supervised persons receive compensation for the sale of securities or other investment products.

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

As we disclosed in Item 5 of this Brochure, the Fund's General Partner is entitled to a performance-based fee from the Fund. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the Fund. To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,000,000 or must have at least \$1,000,000 under management immediately after entering into a management agreement with us.

Clients should be aware that a performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Furthermore, since we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we or our related persons receive from these clients is more directly tied to the performance of their accounts. Since we endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and its employees to earn more compensation from advisory clients who pay performance-based fees;
2. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
3. Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
4. We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client accounts;
5. We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;
6. We periodically review trading frequency and portfolio turnover rates to identify possible patterns of "window dressing," "portfolio churning," or any intent to manipulate trading to boost performance near the reporting period; and
7. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

#### **Item 7.       Types of Clients**

Our firm generally provides advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, private funds, and corporations and other business entities.

We normally impose a minimum account size of \$1,500,000 for discretionary Portfolio Management services.

We normally impose a minimum account size of \$5,000,000 for non-discretionary Portfolio Management services.

We normally impose a minimum account size of \$15,000,000 for Family Office services.

Investment minimums are stated in relevant offering documents for each Fund.

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

Our firm employs the following types of analysis to formulate client recommendations:

Fundamental Analysis: Fundamental analysis of a business involves analyzing its income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis school of thought maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mispriced security and then waiting for the market to recognize its "mistake" and re-price the security. We monitor the macroeconomic environment looking for undervalued asset classes and industries.

However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and/or company developments may result in significant price fluctuations that can lead to investor losses.

Mutual fund and/or ETF analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest successfully over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful in the past may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable of the client's portfolio.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Our firm employs the following investment strategies to implement investment advice given to clients:

Long-term purchases: We mostly purchase securities with the idea of holding them in client accounts for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: At times, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal that a client should be prepared to bear.*

#### **Item 9. Disciplinary Information**

Our firm has no reportable disciplinary events to disclose.

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

General Partners, Carried Interest Partners and/or other entities created to oversee the Funds may be related to CCA by virtue of common ownership and/or control, thus creating a financial incentive for us to recommend investment into the Funds to other advisory clients.

Since we endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser, we take the following steps to address these conflicts:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and/or its related persons to earn more compensation from advisory clients who pay performance-based fees;
2. We ensure that each limited partner is a qualified client and an accredited investor; and

3. Our management conducts regular reviews of the Funds' accounts to verify that all recommendations made are suitable.

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

### Code of Ethics Disclosure

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to Thomas Bartlett, Member and Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to or purchased for customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. This practice results in a potential conflict of interest, as we may have an incentive to manipulate the timing of such purchases to obtain a better price or more favorable allocation in rare cases of limited availability.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client;
2. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts;
3. In cases of partial fills, client trades receive first priority;
4. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations;
5. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices; and

6. Any individual not in observance of the above may be subject to disciplinary action or termination.

## **Item 12. Brokerage Practices**

We endeavor to select those brokers or dealers which will provide the best services at the lowest prices and commission rates possible. The reasonableness of commissions is based on the broker's ability to provide expert execution skills, professional services, competitive commission rates, research, timeliness and track record of profitable investment ideas, portfolio strategies, forecasts and other services which will help us in providing investment management services to clients.

Absent other considerations, we will typically execute client equity trades through their selected custodian due to high trade-away fees.

Trades with custodians capable of receiving electronic feeds will typically be executed first.

### Research and Other Soft Dollar Benefits

Consistent with obtaining best execution for clients, we may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to our firm. Such services include:

- Analyses or reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts;
- Reports concerning interrelated political and economic factors;
- Access to research analysts;
- Research-related seminars or conferences;
- Software that provides analyses of securities portfolios and assists with pre- and post-trade analytics, clearance, settlement and custody;
- Corporate governance research;
- Data services providing stock quotes, last sale prices, trading volumes; and
- Software that provides order routing and algorithmic trading strategies capabilities.

These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client and at our sole discretion. We do not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help our firm to fulfill its overall duty to its clients. We may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Brokers selected by us may be paid commissions for effecting transactions for our clients that exceed the amounts other brokers would have charged for effecting these transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker, viewed either in terms of a particular

transaction or our overall duty of best execution.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and we will make a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

Our firm is currently entered into soft dollar arrangements with certain brokers. As a result of these arrangements, our firm receives access to third-party economic, fixed income and equity research in a centralized manner.

Clients should understand that when we use client brokerage commission, markups, or markdowns to obtain research or other products or services, as described above, our firm receives a benefit because it does not have to produce or pay for this research, products, or services. Therefore, we may have an incentive to select or recommend a broker based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. In addition, our firm theoretically 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 or services. Since this incentive results in a conflict of interest for our firm, we have adopted the following policies and procedures to monitor and mitigate the conflict:

1. We use client commissions to pay for eligible services only, as defined in Section 28(e) and subsequent regulatory and industry guidance;
2. We conduct periodic analysis of volume of transactions sent to each approved broker along with the competitiveness of the commission schedules of each such broker; and
3. We periodically evaluate the usefulness of services received from brokers in relation to the amount of commissions directed to each broker.

#### Directed Brokerage

If a client, when undertaking an advisory relationship with our firm, already has a pre-established relationship with a broker and instructs us to execute all transactions through that broker, it should be understood that under those circumstances, we will not have the authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients since our firm may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder its fiduciary duty to the client and/or its ability to service the account.

CCA does not maintain custody of your assets that we manage/on which we advise (although we may be deemed to have custody of your assets due to certain arrangements (*see Item 15 Custody, below*). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We may recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

### **How We Select Brokers/Custodians to Recommend**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Here is a more detailed description of Schwab’s support services:

- **Services that Benefit You.** Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.
- **Services that May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’



accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
  - facilitate trade execution and allocate aggregated trade orders for multiple client accounts; .
  - provide pricing and other market data;
  - facilitate payment of our fees from our clients' accounts; and
  - assist with back-office functions, recordkeeping and client reporting.
- Services that Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:
    - educational conferences and events
    - technology, compliance, legal, and business consulting;
    - publications and conferences on practice management and business succession; and
    - access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### Trade Aggregation

We typically aggregate client trades when doing so is advantageous to our clients. Mostly, we will batch client transactions to obtain better and more uniform pricing across client accounts. If we determine that aggregation of trades in a certain situation will be beneficial to our clients, transactions will be averaged as to price and will be allocated to each account that participates in the block trade.

If an aggregated or block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. The trading desk shall allocate a partial fill using a random fill process where it is deemed to be fair and equitable. Partial fill private placement opportunities will be typically allocated pro rata based on the initial amount desired and communicated to us by each interested client or prospective client. Prospective clients may receive less than a pro rata amount if we decide to fill existing client accounts first or decide to allocate higher amounts to existing client accounts. Any exceptions from the random allocation procedure will be carefully explained and documented.

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

#### Portfolio Management Services/Private Placement Management Services/Family Office Services

The following individuals are responsible for reviewing client accounts:

- John DiPasquale, Managing Member
- Thomas Bartlett, Member and Chief Compliance Officer
- Peter Greaves-Tunnell, Member
- Jason Garlock, Member

The above-listed individuals will continuously monitor the underlying securities within these accounts and perform at least quarterly formal account reviews. At least annually, an account will also be reviewed by a staff member other than the individual assigned to the account. Accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Firm-wide strategy shifts and significant political and macroeconomic events may also trigger reviews.

In addition to the monthly/quarterly statements and confirmations of transactions that clients receive from their broker dealer and/or custodian(s), we will provide quarterly reports summarizing account balances and holdings and at least annual reports detailing account performance and relevant investment characteristics.

Limited Partners will receive:

- unaudited performance information at least quarterly, as soon as practicable after the end of each fiscal quarter;
- annual audited financial statements relating to the Fund, as soon as practicable after the end of each fiscal year and no later than 120 days after the end of each fiscal year;
- audited financial statements relating to the Fund, as soon as practicable upon the completion of the winding-up of the Fund; and
- annual information necessary for completion of federal income tax returns.

#### Financial Planning Services

We will provide Financial Planning clients with relevant financial analysis. We will not typically provide any periodic or on-going reviews or additional reports unless otherwise specified at the inception of the advisory relationship.

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

We receive an economic benefit from certain custodians/brokers in the form of the support products and services they make available to us and other independent investment advisors that

have their clients maintain accounts with those custodians/brokers. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of these products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Our firm does not receive any additional compensation from third parties for providing investment advice to its clients.

We currently pay referral fees to individuals and/or entities, including some employees, for referring advisory clients to our firm. If a client is introduced to us by a solicitor, we may pay that solicitor an ongoing referral fee constituting a percentage of the referred client's advisory fee paid to our firm for the duration of the advisory relationship.

Payment of referral fees for prospective client referrals creates a potential conflict of interest to the extent that such a referral is not unbiased and the solicitor is, at least partially, motivated by financial gain. As these situations represent a potential conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. Any such referral fee will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of our Form ADV Part 2 Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between our firm and the solicitor, including the compensation to be received by the solicitor from us; and
4. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

## **Item 15. Custody**

Custody is defined as any legal or actual ability by our firm to access client funds or securities. Since all client funds and securities (other than certain private uncertificated security interests) are maintained with a qualified custodian, we don't take physical possession of client assets. However, under the current SEC rules, our firm is deemed to have constructive custody of client assets due to various arrangements which give us legal access to client funds. Therefore, we urge all of our management clients to carefully review and compare their quarterly reviews of account holdings and/or performance results received from us to those they receive from their custodian. Should you notice any discrepancies, please notify us and/or your custodian as soon as possible.

**Item 16. Investment Discretion**

For clients granting us discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s), we request that such authority be granted in writing, typically in the executed advisory agreement and/or relevant fund organizational documents.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

**Item 17. Voting Client Securities**

Advisory clients may elect to delegate their proxy voting authority to us. Alternatively, clients may, at their election, choose to receive proxies related to their own accounts, in which case we may consult with clients as requested. (With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.) Clients may direct us as to how a particular proxy should be voted.

When we have discretion to vote proxies for our clients, we will vote those proxies in the best interests of its clients and in accordance our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Thomas Bartlett directly. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

**Item 18. Financial Information**

Under no circumstances will we earn fees in excess of \$1,200 for a period of more than six months in advance of services rendered, and therefore we have no obligation to disclose our firm financials as part of this Brochure. Our firm has no financial condition that impairs our ability to

meet our contractual obligations to you, and has never been the subject of a bankruptcy proceeding.