

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



**Forté Capital LLC**

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9/25/2017

This brochure provides information about the qualifications and business practices of Forte Capital LLC. If you have any questions about the contents of this brochure, please contact us at 585-586-8100 or [amasood@forte-capital.com](mailto:amasood@forte-capital.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 Forte Capital LLC also 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. Our firm's CRD number is 109941. Registration with the Securities and Exchange Commission does not imply any level of skill or training.

## Item 2      Material Changes

This Firm Brochure provides you with a summary of Forte Capital LLC's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the type of the new and/or updated information as follow:

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE). We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.
  - Since the filing of our last annual updating amendment, we have no material changes to report to Form ADV Part 2A.

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## **Item 4      Advisory Business**

Forte Capital LLC ("Forte Capital", "our", "we" or "the Firm") is an independent investment advisor that is registered with the SEC and was founded in 1996. We are based in Rochester, NY.

The principal owners of Forte Capital are:

Ajit J. Desphande Revocable Living Trust\*  
David W. Henion, CPA \*  
Dennis E. Lohouse, CFA  
Adil G. Masood, CPA  
Richard B. Nathan, CPA, MST  
Edmond D. Sheidlower, CMFC

\* Greater than 25% owners

### **Services**

Forte Capital provides the following services:

#### Portfolio Management Services:

The Firm provides discretionary and non-discretionary investment management services based on each client's individual needs. Through personal discussions and questionnaires, Forte Capital creates an Investment Policy Statement ("IPS") for most clients that outline the client's asset allocation. For employee benefit plans ("Plans"), we will rely on the Plan's IPS. If requested, Forte Capital will assist a Plan in developing their IPS. Forte Capital constructs and manages client's investment portfolios based on their investment policy.

Based on the client's risk tolerance, tax considerations, liquidity needs, time horizons, etc., clients may have different securities in their portfolio. In addition, clients may experience different levels of service based on their particular situation or requirements.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, certain industries or sectors and social responsibility policies.

#### Financial Planning Services:

Advice is rendered in the areas of cash flow planning, investment risk management, retirement planning, asset allocation and investment selection. Forte Capital gathers required information through personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. A retirement cash flow report is prepared and provided to some clients. Should a client choose to implement our recommendations, Forte Capital suggests that the client work closely with his or her attorney, accountant, and insurance agent. Implementation of financial planning recommendations is entirely at the client's discretion.

#### Non-Investment Consulting/Implementation Services:

To the extent requested by the client, Forte Capital may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Forte Capital, nor any of its representatives, serves as an attorney, accountant (although certain of Forte Capital's representatives are CPAs, no such representative serves as a CPA to advisory clients), or insurance agent, and no portion of Forte

Capital's services should be construed as such. To the extent requested by a client, Forte Capital may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Forte Capital. 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 (attorney, accountants, insurance agents, etc.). We receive no consideration for said referrals.

Financial planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company.

Forte Capital may provide periodic investment consulting/asset allocation services for client's assets held "outside" (assets not under our Investment Management Agreement) such as 401(k) and 403(b) plans. Forte Capital generally does not charge for these services and accordingly does not provide continual supervisory services for these "outside" assets. The client retains absolute discretion over these "outside" assets and Forte Capital will not be responsible for the selection, performance or suitability of assets that the client holds in "outside" assets. Additionally, these assets are not included in the calculation for assets under management.

#### Client Obligations:

In performing its services, Forte Capital 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.

In addition, each client is advised that it remains their responsibility to promptly notify Forte Capital if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Forte Capital's previous investment management services and/or financial planning recommendations.

#### Services in General

Our investment 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:

- Equity Securities
- Debt securities, including corporate debt, US government, municipal debt
- Certificates of Deposit (CDs)
- No-load or load-waived mutual funds
- Exchange-traded funds (ETFs)
- Cash/short term investment vehicles

#### Assets Under Management:

Forte Capital's total assets under management as of December 31, 2016 are approximately \$683 million.

Discretionary and non-discretionary assets under management as of December 31, 2016 are \$640 million and \$43 million, respectively.

## **Item 5 Fees and Compensation**

#### Portfolio Management Fees:

Forte Capital's investment management fee schedule is as follows:

Assets Under Management	Maximum Annual Fee
First \$500,000	1.25%
Next \$1,500,000	1.00%
Next \$2 million	0.85%
Next \$4 million	0.65%

We bill our discretionary and non-discretionary clients on a quarterly basis and are paid in advance using a fee schedule clearly described in each client's investment advisory contract. Forte Capital, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its portfolio minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). The fee will equal the applicable percentage of the market value of the assets in client account(s) on the last business day of the preceding calendar quarter (e.g., billing for the quarterly period January through March will be based on December's ending market value). In the event that the relationship is commenced or dissolved in the midst of a billing period, the fees will be pro-rated on a daily basis for the period outstanding, and paid/refunded accordingly. Generally, Forte Capital has the authority to deduct fees from client accounts, however, some clients pay by check.

Forte Capital compensates several of its employees based on a percentage of new business generated and client retention.

#### Financial Planning Fees:

Forte Capital may provide financial planning services to most discretionary investment management clients at no additional cost. Some non-discretionary investment management clients may have a fixed fee arrangement, typically ranging from \$250 to \$500 per year. Some clients may pay the Firm for the services of our professional personnel at our then-current hourly rate, typically ranging from \$150 and \$250 per hour. Our rates are subject to periodic revision. We charge for the time our professional personnel spend on client accounts, including time spent in meetings with clients and others, time spent on telephone calls and other communications, and time spent on study, planning, analysis, preparation of reports and other work done by our professional personnel. We will charge annually in advance for this service. Payments are due 30 days after receipt of our invoice.

#### **Important Additional Information**

##### Fees in Advance of Service:

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

##### Mutual Fund Fees

All fees paid to Forte Capital for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and money market funds 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. The client's custodian may also charge a transaction fee. Accordingly, the client

should review both the fees charged by the funds and the fees charged by Forte Capital to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### ETF Fees:

All fees paid to Forte Capital for investment advisory services are separate and distinct from the fees and expenses charged by Exchange Traded Funds ("ETFs") to their shareholders. These fees and expenses are described in each ETF's prospectus. These fees will generally include a Trustee fee, license marketing fee and other operating expenses. There may be additional transaction fees charged by the custodian.

#### Trading and Other Costs

In addition to Forte Capital's investment management fee, clients must pay any custodian fees and all trading costs. Such charges, fees and commissions are in addition to Forte Capital's fee. The Firm does not receive any portion of the commissions, custodial fees or trading costs.

The Firm does not receive compensation for the sale of securities or other investment products. Forte Capital does not act as principal, buy securities for the Firm from any client or sell securities that the Firm owns to any client. The Firm does not act as broker dealer or agent to effect securities transactions for compensation.

#### Negotiability of Fees

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, complexity of the relationship, etc.). Discounts, not generally available to our advisory clients, may be offered to family members of our staff.

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

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

Forte Capital LLC does not charge performance-based fees.

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

Forte Capital LLC provides advisory services to the following types of clients: high net worth individuals, pension and profit sharing plans, corporations, corporate pension & profit sharing plans, endowments, Foundations, Trusts, estates and charitable institutions.

The minimum account size for investment management services is \$500,000. This minimum is at the Firm's sole discretion. There is no minimum account size or annual fee for financial planning services or associated consulting.

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

Forte Capital has the ability to vary the client's exposure to equities, fixed income and cash versus the client's stated IPS or otherwise stated mandates and/or objectives depending on overall market conditions. Performance of client portfolios may not track movements in the overall stock and bond markets, particularly

over the short-term. While the intent of our strategies is long-term capital appreciation, total return and protection of capital, the investment return and principal value may fluctuate or deviate from overall market returns to a greater degree than expected.

#### Types of Investments:

Portfolio holdings will typically be limited to domestic and foreign equity securities, ETFs, preferred securities, Master Limited Partnerships, corporate debt securities, certificates of deposit, municipal and United States government and agency securities, mutual funds, and options.

#### Investment Process and Strategy:

Forte Capital's Investment Committee establishes and implements the investment strategy for the Firm's clients.

Generally, Forte Capital's research employs economic, fundamental and technical analysis as well as a qualitative appraisal of each company's or mutual fund's management and business. We also use third-party newsletters, research, etc. Asset allocation is an important part of the process. The Firm believes the most appropriate returns for clients are achieved by maintaining client specific asset allocations.

#### Individual Equity/Fundamental Analysis:

Individual equity research is company specific. The Firm engages in stock evaluation that focuses on individual companies that meet the Firm's quantitative criteria. Stock screens are run periodically to produce a list of companies for consideration. As market, economic and financial conditions change there may be stocks held in client accounts that do not meet the criteria or maintained for tax considerations. Forte Capital relies on third-party historical and projected data in the process. We believe that the information obtained is complete and accurate; however, no independent verification of the data, or company specific comments, have been performed

Forte Capital's main sources of information are from third party research and rating services. We may also evaluate, SEC filings, inspections of corporate activities, annual reports, prospectuses, research materials prepared by others, as well as corporate rating services, financial newspapers and magazines and company press releases.

Forte Capital uses:

- long term purchases (securities held at least one year)
- short term purchases (securities sold within a year)
- trading (securities sold within 30 days)

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.

#### Mutual Fund/ETF Analysis:

The Firm reviews and analyzes third-party research on mutual funds and ETFs that are under consideration for inclusion in client portfolios. This process typically includes quantitative and qualitative analysis of each fund. The due diligence is done with the fund manager or analyst and may be written and/or oral.

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 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.

#### Fixed Income Security:

Individual fixed income research is issuer specific. Portfolio duration is based on the risk profile of the client. Forte Capital relies on internal and external fixed income and economic analysis as well as Moody's and S&P's credit analysis in determining appropriate securities for client portfolios.

There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. Generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

#### Options:

In some circumstances, we may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

#### **Risk of Loss:**

Investing in securities involves risk of loss that clients should be prepared to bear. While Forte Capital attempts to moderate these risks, there can be no assurance that its investment and trading activities will be successful or that clients will not suffer losses.

Client's should be aware of the following potential risks:

- No Guarantee of Investment Performance. Forte Capital cannot guarantee it will achieve positive or competitive investment returns. Unanticipated market conditions, political developments, regulatory and other factors, many of which cannot be anticipated or controlled, could result in Forte Capital not generating positive or competitive after-tax returns or in a client losing a portion of their investment.
- General Investment Strategy Risk. The majority of Forte Capital's investment activities will be based upon a strategy that requires, among other activities, anticipating economic trends or changes, evaluating the industry and prospects of companies and correctly anticipating the timing, direction and magnitude of subsequent changes in the values of such securities. There can be no assurance that Forte Capital will be successful at implementing and managing the foregoing activities and no assurance that general market conditions and other market forces, which may be beyond control, will not prevent Forte Capital from successfully implementing and managing its investment strategy.
- General Economic and Market Conditions. General economic and market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and

international political circumstances may affect the success of Forte Capital's investment activities. These factors may also affect the level and volatility of security prices and the liquidity of Forte Capital's investments. Unexpected volatility or liquidity could impair Forte Capital's profitability or result in losses.

- Foreign Companies. Forte Capital may choose to invest in American Depositary Receipts (ADRs), which will subject the Firm to certain risks not typically associated with investing in securities issued by domestic issuers. These risks include unfavorable changes in currency exchange rates, imposition of exchange control regulation by the U.S. or foreign governments, certain foreign or U.S. taxes, and economic or political instability or disruptions in foreign countries. Further, Forte Capital may have access to less information about some non-U.S. companies compared to U.S. companies, and financial information may not be subject to comparable standards of companies traded in U.S. markets, making the basis for investment decisions less dependable.
- Insolvency of Brokers and Others. Forte Capital may be subject to the risk of failure of the brokerage firms that execute the Firm's trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members.
- Effect of Substantial Withdrawals. Clients making substantial withdrawals within a short period of time could require liquidation of securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the client's assets and/or disrupting Forte Capital's investment strategy. Reduction in assets could make it more difficult to generate a positive return or to recoup losses due to reductions in Forte Capital's ability to take advantage of particular investment opportunities.
- Tax Risks. Clients are urged to consult with a tax advisor with respect to the federal, state, and local tax consequences arising from investing with Forte Capital.

#### Retirement Rollovers-Potential for Conflict of Interest:

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Forte Capital recommends that a client roll over their retirement plan assets into an account to be managed by Forte Capital, such a recommendation creates a conflict of interest if Forte Capital will earn an advisory fee on the rolled over assets. No client is under any obligation to rollover retirement plan assets to an account managed by Forte Capital. Forte Capital's Chief Compliance Officer, Adil Masood, 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.

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our Firm and our management personnel have no reportable disciplinary events to disclose.

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

Forte Capital is not registered and does not have an application pending as a securities broker dealer, a futures merchant, commodity pool operator or a commodity trading adviser. None of Forte Capital's personnel are associated with a broker dealer or futures or commodity firm. The Firm does not have any arrangements material to its advisory business and its clients. See Item 4 - *Advisory Business* and Item 5 - *Fees & Compensation* above. For example, the Firm's methods of allocating portfolio transaction business among

brokers and dealers could involve conflicts. See Item 12 – *Brokerage Practices*.

Under no circumstances does Forte Capital consider the marketing efforts of broker dealers on its behalf or investment opportunities offered by broker dealers in selecting broker dealers to execute client trades.

Forte Capital also has policies and procedures in place to limit and monitor gifts and entertainment received from third parties, including broker dealers that do business with the Firm or wish to do business with the Firm. See Item 11 – *Code of Ethics*.

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

### Code of Ethics:

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 our 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.

We may aggregate our employee trades with client trades. In case there is a partial fill of a particular batch order, we will allocate all the purchases pro-rata, with each account paying average price.

To mitigate these potential conflicts of interest and ensure the fulfillment of our fiduciary responsibilities, we have established the following restrictions:

1. Prohibition against use of non-public information - no persons associated with 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.
2. No persons associated with our firm may prefer his or her own interest to that of the advisory client.
3. All persons associated with our firm must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to disciplinary action or termination.

## **Item 12 Brokerage Practices**

Typically, with respect to all equity transactions and fixed income transactions for accounts without prime brokerage, Forte Capital does not request or accept the discretionary authority to determine the broker dealer used for client transactions. This means that Forte Capital will not survey the brokerage marketplace for best execution on a transaction-by-transaction basis. As such, clients must direct Forte Capital as to the broker dealer

to be used. *Not all advisers require their clients to direct brokerage.*

For clients in need of brokerage and/or custodial services and depending on client circumstances and needs, Forte Capital LLC will recommend the use of one of several broker dealers, provided that such recommendation is consistent with our fiduciary duty to the client. Generally, for equity transactions, we will recommend the brokerage services offered by the client's custodian. The factors considered by our firm when making these recommendations are the broker dealer's ability to provide professional services, the firm's experience with the broker dealer, the broker dealer's reputation, the broker dealer's quality of execution services and costs of such services and the custodial platform provided to clients, among other factors.

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.

Typically, with respect to fixed income transactions for accounts with prime brokerage, the firm accepts brokerage discretion and seeks to obtain best execution for client transactions in these accounts, i.e., seeking to obtain not necessarily the lowest commissions but the best overall qualitative execution in the particular circumstances. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission/mark-up rates, research and other services which will help us in providing investment management services to clients. We may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

#### Research and Other Soft Dollar Benefits:

Certain broker dealers who execute securities transactions for the Firm may also furnish investment research services to Forte Capital in exchange for the brokerage execution services. Commission payments in exchange for research services are commonly referred to as "soft dollars". The investment research services are of the type allowed under the Securities Exchange Act of 1934, which provides a "safe harbor" to investment managers that use investor commission dollars to obtain investment research and brokerage services that assist the manager (in this case, Forte Capital) in performing investment decision-making responsibilities. Forte Capital does not receive any products or services that fall outside the safe harbor provided for in the SEC rules. Clients may pay higher than the lowest commission rates available in return for the Firm to obtain such research services.

These research services are designed to supplement the Firm's internal research and investment strategy capabilities. Within the last fiscal year, the Firm received the following services through soft dollar arrangements:

- Written reports on individual companies and industries, U.S. economic conditions and trends, pertinent federal, state and international governmental policies and developments and the investment implications of such policies and developments and changes in accounting practices.
- Seminar presentations made by corporate management personnel, industry experts, leading economists and government officials.
- Comparative performance evaluation, technical measurement services and research reports on market conditions.

- Availability of economic advice and services from recognized experts on investment matters.
- Portfolio screening services providing information about activities of issuers that may concern clients.
- Portfolio Accounting Software.

All clients receive the benefit of the services Forte Capital receives under such arrangements. Because this information is only supplementary to Forte Capital's own research efforts and still must be analyzed and reviewed by personnel, Forte Capital's receipt of such information is not expected to materially reduce the expenses of servicing clients.

To the extent commissions are directed to broker dealers who provide the Firm with research services, Forte Capital will receive a benefit that may not be quantified in terms of dollar amounts, without directly providing a monetary benefit to the client for these commissions. In no case will Forte Capital make binding commitments to allocate brokerage in return for research services. Investment research furnished by broker dealers may be used in servicing all accounts and may not necessarily be used in connection with the accounts that paid commissions to the broker dealers providing such research.

Broker dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by a broker may be less than the suggested allocations, but can exceed the suggestions because total brokerage is allocated on the basis of all considerations described below.

The relationships with brokerage firms providing research services to Forte Capital may influence the Firm's judgment in allocating brokerage business and may create conflicts of interest in using the services of those brokers to execute clients' brokerage transactions. Commissions paid by Forte Capital's clients benefit the Firm at the expense of clients to the extent that soft dollars are used to pay the Firm's expenses. Forte Capital believes that these relationships are beneficial to the Firm and its clients, but clients' transactions executed through these broker dealers may or may not be at the best prices otherwise available.

When selecting the broker dealer through which securities transactions are executed and brokerage business allocated, Forte Capital considers the full range and quality of a broker dealer's services including:

- amount, quality and nature of the research provided
- best execution, clearance and settlement capabilities, taking into account the:
  - o difficulty of trade
  - o liquidity of the security
  - o commission rates
- financial strength and stability
- efficiency of execution and error resolution
- responsiveness to the Firm
- usefulness of research to the Firm's process

With respect to investment research products or services obtained by Forte Capital that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Forte Capital 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 Forte Capital's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by Forte Capital with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Forte Capital's investment management fee. Forte Capital's Chief Compliance Officer, Adil Masood, remains 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.

#### Brokerage for Client Referral:

Forte Capital participates in the Schwab Advisor Network<sup>tm</sup>, and TD Ameritrade AdvisorDirect programs and Forte Capital may recommend Schwab and TD Ameritrade to clients for custody and brokerage services. Forte Capital's participation in these programs does not influence the investment advice it gives to clients, although Forte Capital receives non-cash economic benefits through its participation in the programs.

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

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

Schwab, TD Ameritrade, Fidelity or others may also provide Forte Capital with other services intended to help Forte Capital manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. Forte Capital, through its participation in these programs, may receive discounts on compliance, marketing, technology, and practice management products or services provided to Forte Capital by third party vendors. In addition, from time to time, these entities may make available, arrange and/or pay for these types of services and any travel, meals and entertainment associated with events related to these services for the benefit of Forte Capital by independent third parties and/or the custodian. Schwab, Fidelity and TD Ameritrade or other custodians may discount or waive fees they would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Forte Capital. The availability to Forte Capital of the foregoing products and services is not contingent upon Forte Capital committing to any of the above referenced custodians any specific amount of business or assets in custody or trading.

Forte Capital, at times, may provide entertainment (gift baskets, meals, golf, etc.) to qualified solicitors. Thus, qualified solicitors may have an incentive to recommend Forte Capital to potential clients.

Forte Capital receives client referrals from Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC through Forte Capital's participation in Schwab Advisor Network<sup>TM</sup> ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Forte Capital. Schwab does not supervise Forte Capital and has no responsibility for Forte's management of clients' portfolios or Forte Capital's other advice or services. Forte pays Schwab fees to receive client referrals through the Service. Forte Capital's participation in the Service may raise potential conflicts of interest described below.

Forte Capital 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 Forte Capital is a percentage of the value of the assets in the client's account. Forte Capital 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 Forte Capital quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Forte Capital and not by the client. Forte Capital has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs

Forte Capital charges clients with similar portfolios who were not referred through the Service.

Forte Capital 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 (1) terminates its relationship with Forte Capital (2) liquidates all or a portion of their Schwab account and withdraws the proceeds for their personal use. 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 Forte Capital generally would pay in a single year. Because of this and its ongoing business relationship with Schwab, Forte Capital 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 Forte Capital's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Forte Capital 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 Forte Capital's fees directly from the accounts.

For accounts of Forte Capital's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Forte Capital's clients in the form of commissions and 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, Forte Capital may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Forte Capital, 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 Forte Capital's other clients. Because of this ongoing business relationship with Schwab, 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.

Forte Capital participates in the institutional advisor program (AdvisorDirect the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC registered broker-dealer and FINRA member. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Forte Capital may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Forte Capital and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Forte Capital and has no responsibility for Forte Capital's management of client portfolios or Forte Capital's other advice or services. Forte Capital pays TD Ameritrade on an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Forte Capital ("Solicitation Fee"). Forte Capital will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Forte Capital from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Forte Capital on the recommendation of such referred client.

Forte Capital will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgment Form, which may be obtained from either TD Ameritrade or Forte Capital.

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

Forte Capital is required to maintain certain minimum custodian assets at Schwab and TD Ameritrade in order to participate in their referral programs.

Forte's Chief Compliance Officer, Adil Masood, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any perceived conflict of interest such arrangement may create.

#### Aggregation of Trades

Forte Capital may aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally on a pro-rata basis. The aggregation of client purchase or sale orders into blocks for execution allows Forte Capital to achieve more equitable, timely and efficient executions, lower per share brokerage cost and better and fairer prices.

#### Allocation:

Forte Capital's allocation procedures will be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Aggregated equity orders will generally be allocated among clients on a pro-rata basis, subject to rounding to assure each account receives round lots. If the partial filling of an aggregated order would result in a relatively small client account purchase, so that the custodian costs associated with such purchase might be unduly large in relation to the size of the purchase, the remaining securities may be allocated to other client accounts participating in the aggregated order. When possible, partially filled equity orders are allocated on a pro rata basis; in all other cases, they are rotated between larger and smaller clients to be fair to all clients. Partially filled fixed income orders will be allocated based a number of criteria, including client's deviation from target allocation, cash availability and client-specific needs such as duration, credit, and issuer.

Forte Capital may deviate from a pro-rata allocation approach when making initial investments for newly established accounts for the purpose of seeking to fully invest such accounts as promptly as possible. Directed brokerage arrangements may impact trade allocations.

#### IPOs:

Initial public offerings ("IPOs") or new issues are offerings of securities that frequently are of limited size and limited availability. These offerings may trade at a premium above the initial offering price. In the event that Forte Capital participates in any new issues, the Firm's policy and practice is to allocate new issues shares fairly and equitably among advisory clients. If possible, allocations are done pro-rata among all accounts; if not possible, then allocations are alternated between smaller and larger accounts so as not to advantage any client or group of clients over any other.



### Trading Errors:

As a fiduciary, Forte Capital has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions due to Forte Capital's actions, or inaction, or actions of others, Forte Capital's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting Forte Capital in any way.

If the error is the responsibility of Forte Capital, the error will be corrected and Forte Capital will be responsible for any client loss resulting from an inaccurate or erroneous trade. Where a third party's negligence causes a trading error resulting in a loss to a client, Forte Capital will attempt to recover the amount of the loss from the third party for the client, although Forte Capital is not responsible for making the third parties compensate the clients in such cases.

### Cross Trades:

Forte Capital does not participate in cross trades.

## **Item 13    Review of Accounts**

All investment policy, investment selection and major review of advisory accounts are conducted jointly by the members of Forte Capital who maintain personal contact with the client. Functionally, however, there exists an informal "area of concentration" on a day-to-day basis: that is each portfolio manager tends to take primary responsibility for a particular group of accounts. Depending on the member(s) assigned to a client's account(s), there may be varying levels of service and/or portfolio performance. Utilizing certain proprietary computer programs, Forte Capital portfolio managers monitor accounts on an ongoing basis. They make portfolio adjustments as certain predetermined "flags" and "triggers" including unusual variations in values or technical or fundamental changes, as obtained from Forte Capital's research staff or principals.

Review of all accounts is ongoing by the portfolio manager assigned to the account. Formal and informal internal reviews of all investment strategies are conducted periodically by the Investment Committee and/or by the member(s), or portfolio managers that are responsible for a given investment strategy. The Investment Committee members are: David W. Henion, CPA, Dennis E. Lohouse, CFA, Adil G. Masood, CPA and Edmond D. Sheidlower, CMFC.

Clients receive regular updates on their accounts through emails, letters, portfolio reviews, and phone calls. Forte Capital strives to meet or speak with clients on an ongoing basis to review their long-term goals and objectives and discuss any information which may be pertinent to the management of the portfolio. Informal reports and discussions are part of an ongoing communication process.

Clients receive reports in person that generally include:

- individual portfolio information including holdings and asset allocation
- individual performance results including benchmark performance

The assets of each client are held by an independent custodian. In all cases, the client also receives the normal reporting package provided by the respective custodian, either monthly or quarterly. Such custodians provide the client with year-end summaries of security proceeds, dividends and interest received (IRS 1099-B, 1099-Int and 1099-R).

Due to legal or regulatory requirements that some clients must follow or the special needs and requests of some clients, Forte Capital may at its discretion agree to provide certain investors more frequent reports or certain other reports than those described above.

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

We currently pay referral fees to third parties for referring advisory clients to our firm. If a client is introduced to us by either an unaffiliated solicitor, we may pay that solicitor an ongoing or limited term referral fee.

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. Therefore, such a referral may be made even if our advisory services are not suitable to a particular client's needs or entering into an advisory relationship with us is not, overall, in the best interest of the client. As these situations represent a 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.

Please see Item 12 - *Brokerage Practices* for a discussion of our referral relationship with broker dealers.

## **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 are maintained with a qualified custodian, we don't take physical possession of client assets. However, because for some clients we may directly debit fees from their custodial accounts, our firm is deemed to have constructive custody of client funds.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review and compare official custodial records to the Firm's account statements, which may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm in most cases directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other

things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

Clients may engage us to provide discretionary asset management services per the client's IPS, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

## **Item 17 Voting Client Securities**

### Proxy Voting:

We vote proxies for all client accounts that hold the mutual that are part of client's managed assets. In addition, we will vote proxies for all individual equity holdings. However, our clients always have the right to vote proxies themselves. Clients can exercise this right by instructing us in writing to not vote proxies in their account.

We will vote proxies in the best interests of our clients and in accordance with 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 Adil Masood by telephone at (585) 586-8100. 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.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Adil Masood by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with

management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at Forte Capital.

## **Item 18 Financial Information**

### Financial Condition:

Forte Capital, as a registered investment adviser, is required to provide you with certain financial information or disclosures about Forte Capital's financial condition. Forte Capital has no financial commitment that impairs the Firm's ability to meet contractual and fiduciary commitments to clients.

### Bankruptcy:

Forte Capital has not been the subject of a bankruptcy proceeding.

### Prepayment of Fees:

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.