



**ADV Part 2A, Firm Brochure**  
**Dated: February 10, 2017**

Contact: Kristofor R. Behn, Chief Compliance Officer  
2 Hampshire Street, Suite 100B  
Foxboro, Massachusetts 02035  
[www.fieldstonefinancial.com](http://www.fieldstonefinancial.com)

This Brochure provides information about the qualifications and business practices of Fieldstone Financial Management Group, LLC ("Fieldstone Financial"). If you have any questions about the contents of this Brochure, please contact us at (800) 888-5164 or [Krbehn@fieldstonefinancial.com](mailto:Krbehn@fieldstonefinancial.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 Fieldstone Financial Management Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Fieldstone Financial Management Group, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes since Fieldstone's last Annual Amendment filing made since its March 17, 2016 filing.

**ANY QUESTIONS: Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, remains available to address any questions that an existing or prospective client may have regarding this Brochure**

## **Item 3           Table of Contents**

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

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

- A. Fieldstone Financial is a limited liability company formed on May 10, 2001 in the State of Delaware. Fieldstone Financial first became registered as an Investment Adviser Firm in May 2001. Fieldstone Financial re-registered as an Investment Adviser Firm in March 2016. Fieldstone Financial is owned by Kristofor R. Behn; Fieldstone Financial's Managing Member.
- B. As discussed below, Fieldstone Financial offers to its clients (individuals, business entities, trusts, estates, charitable organizations and pension and profit sharing plans) investment advisory services along with financial planning and related consulting services.

#### **INVESTMENT ADVISORY, FINANCIAL PLANNING AND CONSULTING SERVICES**

The client can determine to engage Fieldstone Financial to provide discretionary and/or non-discretionary investment advisory services, combined with financial planning and consulting services (including investment related matters, estate planning, insurance planning, etc.) on a *fee-only* basis. Fieldstone Financial's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Fieldstone Financial's management.

Before Fieldstone Financial provides investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, Fieldstone Financial will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Fieldstone Financial provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives.

#### **ELECTRONIC INVESTMENT MANAGEMENT SERVICES**

Clients may choose to engage Fieldstone Financial to provide investment management services utilizing the Tectonyx™ platform. The Tectonyx™ platform is an automated, online investment management platform (the "Program").

To commence Program services, clients are required to enter into an Investment Advisory Agreement with Fieldstone Financial setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. Fieldstone Financial will allocate investment assets consistent with the client's designated investment objectives on a discretionary basis through the Program generally following the parameters of one or more similarly managed investment allocation models.

Through the Program, Fieldstone Financial offers Program clients a range of investment strategies that Fieldstone Financial has constructed and manages, each consisting of a portfolio of ETFs and a cash allocation. The client's portfolio is held in a brokerage account opened with an independent custodian.

Fieldstone Financial has contracted with Tectonyx™ to provide the technology platform and related trading and account management services for the Program. This platform enables Fieldstone Financial to make the Program available to its clients online and includes a system that automates certain key parts of Fieldstone Financial's investment process (the "System"). The System includes an online questionnaire that helps Fieldstone Financial determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that Fieldstone Financial will recommend a portfolio via the System in response to the client's answers to the online questionnaire.

## MISCELLANEOUS

**Private Investment Funds.** Fieldstone Financial may recommend that its clients consider the purchase of private investment funds including venture capital and private real estate funds on a non-discretionary basis. Fieldstone Financial's role relative to those unaffiliated private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included for purposes of Fieldstone Financial calculating its annual investment advisory fee. Fieldstone Financial's clients are under absolutely no obligation to consider or make an investment in any private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Private Notes.** Fieldstone Financial may provide investment advice regarding private, unregistered notes and recommend that its clients consider the purchase of private notes on a non-discretionary basis. Fieldstone Financial's role relative to the private notes shall be limited to its initial and ongoing due diligence of private notes and their issuers. If a client determines to become a private note holder, the amount of assets invested in the note(s) shall be included for purposes of Fieldstone Financial calculating its annual investment advisory fee. **Fieldstone Financial's clients are under absolutely no obligation to consider or make an investment in a private note(s).**

**Please Note:** Private notes generally involve a significant amount of risk and are suitable only for Accredited Investors (as defined by Regulation D, Rule 501(a) of the U.S. Securities Act of 1933) who have no immediate need for liquidity of the amount invested, and who can afford a risk of loss of all or a substantial part of such investment. There can be no assurance that the principal of or interest in the private notes will be repaid. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the note(s), and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Note:** In the event that the issuer of the private note fails to make an interest payment when due, the issuer may be in default of the agreement. In conformity with its fiduciary duty, Fieldstone Financial will continually monitor such interest payments and notify a client invested in a private note in the event of default. However, in the event of default, Fieldstone Financial shall not be liable for any costs incurred by the client investor in attempting to secure a recovery under the terms of the note(s). Rather, the client shall seek recovery solely from the issuer of the note(s).

**Please Also Note: Valuation.** In the event that Fieldstone Financial references private investment funds and/or private notes owned by the client on any supplemental account reports prepared by Fieldstone Financial, the value(s) for all private investment funds and/or private notes owned by the client shall reflect the most recent valuation provided by the issuer. If the issuer does not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the issuer). If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) **could be significantly more or less than original purchase price.** The client's advisory fee shall be based upon such reflected note value(s).

**Loan Agreement with Aspen Grove/Aequitas.** In April of 2014, Fieldstone Financial entered into a loan agreement with Aspen Grove, LLC ("Aspen") in order to recapitalize the Firm and in furtherance of the Firm's practice acquisition initiatives. Aspen assigned the loan to Aequitas Commercial Finance ("Aequitas") in November 2014. The loan and its repayment terms are in no way contingent upon the investment of Fieldstone Financial client's assets in private investment funds. As discussed above, Fieldstone Financial's clients are under absolutely no obligation to consider or make an investment in any private investment fund(s).

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Fieldstone Financial may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Fieldstone Financial **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance brokerage services. Accordingly, Fieldstone Financial **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Fieldstone Financial may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are 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 made by Fieldstone Financial or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new

employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by Fieldstone Financial. Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, 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.**

**Fee Differentials.** As indicated below, a portion of Fieldstone Financial total investment advisory fee shall be calculated based upon a percentage (%) of the market value of the assets placed under management (between 0.25% and 1.50%). However, fees shall vary depending upon various objective and subjective factors, including but not limited to: the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by Fieldstone Financial to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, remains available to address any questions that a client or prospective client may have regarding the above fee disparity, impact on account performance, and conflict of interest**

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

**Use of Mutual Funds.** While Fieldstone Financial may recommend allocating investment assets to mutual funds that are not available directly to the public, Fieldstone Financial may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging Fieldstone Financial as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging Fieldstone Financial as an investment adviser, the client or prospective client would not receive the benefit of Fieldstone Financial's initial and ongoing investment advisory services.

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

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

- C. Fieldstone Financial shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Fieldstone Financial shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Fieldstone Financial's services.
- D. Fieldstone Financial does not participate in a wrap fee program.
- E. As of December 31, 2016, Fieldstone Financial had \$246,549,974 in assets under management on a discretionary basis and \$448,245 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY, FINANCIAL PLANNING AND CONSULTING SERVICES**

The client can determine to engage Fieldstone Financial to provide discretionary and/or non-discretionary investment advisory services, combined with financial planning and consulting services on a negotiable *fee-only* basis. Fieldstone Financial's investment advisory and planning fee generally includes two components:

1. A flat quarterly fee generally ranging between \$500 and \$10,000; and
2. A monthly fee based upon a percentage (%) of the market value of the assets placed under Fieldstone Financial's management, ranging between 0.25% and 2.00% annually.

Fieldstone Financial's annual investment advisory and planning fee is negotiable, and depends upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Fieldstone Financial to provide planning or consulting services, clients are generally required to enter into an *Letter of Understanding* setting forth the terms and conditions of the engagement (including termination), and describing the scope of the services to be provided.

### **ELECTRONIC INVESTMENT MANAGEMENT SERVICES**

Should a client choose to engage Fieldstone Financial to provide discretionary investment advisory services on a *fee-only* basis through the Program, Fieldstone Financial's annual fee shall be 0.50% of the market value of the assets placed under Fieldstone Financial's management in the Program.

- B. Clients may elect to have Fieldstone Financial's investment advisory and planning fees deducted from their custodial account. Both Fieldstone Financial's *Letter of Understanding* and the custodial / clearing agreement may authorize the custodian to

debit the account for the amount of Fieldstone Financial's investment advisory and planning fees and to directly remit that fee to Fieldstone Financial in compliance with regulatory procedures. In the limited event that Fieldstone Financial bills the client directly, payment is due upon receipt of Fieldstone Financial's invoice.

Fieldstone Financial deducts and/or bills clients for its flat fees quarterly in advance. Upon termination, Fieldstone Financial will refund the pro-rated portion of the advanced fee paid based upon the number of days remaining in the billing quarter. Fieldstone Financial deducts and/or bills clients for its asset-based management fee monthly in arrears, based upon the market value of the assets on the last business day of the previous quarter. Upon termination, Fieldstone Financial will debit the account for the pro-rated portion of the unpaid advanced advisory fee based upon the number of days that services were provided during the billing month.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Fieldstone Financial shall generally recommend that various broker-dealer/custodians serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Fieldstone Financial's investment advisory and planning fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. advisory and planning fees and other fund expenses).
- D. As indicated above, the flat quarterly portion of Fieldstone Financial's investment advisory and planning fee shall be prorated and paid quarterly, in advance. Fieldstone Financial generally requires a \$250,000 minimum asset level for non-discretionary investment advisory services. Fieldstone Financial, in its sole discretion, may charge a lesser investment advisory and planning fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Letter of Understanding* between Fieldstone Financial and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Letter of Understanding*. Upon termination, Fieldstone Financial shall refund the pro-rated portion of the advanced investment advisory and planning fee paid based upon the number of days remaining in the billing quarter.

- E. Neither Fieldstone Financial, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither Fieldstone Financial, nor any supervised person of Fieldstone Financial, accepts performance-based fees.



## **Item 7           Types of Clients**

Fieldstone Financial's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. Fieldstone Financial generally requires a \$250,000 minimum asset level for non-discretionary investment advisory services. Fieldstone Financial, in its sole discretion, may charge a lesser investment advisory and planning fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. Fieldstone Financial may utilize the following methods of security analysis:

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

Fieldstone Financial may utilize the following investment strategies when implementing investment advice given to clients:

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

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Fieldstone Financial) will be profitable or equal any specific performance level(s).

B. Fieldstone Financial's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Fieldstone Financial must have access to current/new market information. Fieldstone Financial has no control over the dissemination rate of market information; therefore, unbeknownst to Fieldstone Financial, certain analyses may be compiled with outdated market information, severely limiting the value of Fieldstone Financial's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Fieldstone Financial's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment

strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Fieldstone Financial may also implement and/or recommend – use of options transactions. Option strategies have a high level of inherent risk. (See discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Fieldstone Financial shall be with the intent of offsetting/”hedging” a potential market risk in a client’s portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Fieldstone Financial is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Fieldstone Financial, in writing, not to employ any or all such strategies their accounts.

- C. Currently, Fieldstone Financial primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds, exchange traded notes and the recommendation of unaffiliated private investment funds on a discretionary and non-discretionary basis in accordance with the client’s designated investment objective(s).

## **Item 9            Disciplinary Information**

Fieldstone Financial has not been the subject of any disciplinary actions.

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

- A. Neither Fieldstone Financial, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Fieldstone Financial, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Other Investment Adviser Firm.** Joshua Barone, a Fieldstone Financial investment adviser representative, also serves as the Managing Member and an investment adviser representative of Ancora West Advisors, LLC (“*Ancora*”), an unaffiliated SEC registered investment advisor firm (SEC# 801-108879). Certain clients may be referred to *Ancora* for advisory services. No client is under any obligation to engage the services of *Ancora*.

**Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. Fieldstone Financial does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

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

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

- B. Neither Fieldstone Financial nor any related person of Fieldstone Financial recommends, buys, or sells for client accounts, securities in which Fieldstone Financial or any related person of Fieldstone Financial has a material financial interest.
- C. Fieldstone Financial and/or representatives of Fieldstone Financial *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Fieldstone Financial and/or representatives of Fieldstone Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Fieldstone Financial did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Fieldstone Financial's clients) and other potentially abusive practices.

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

- D. Fieldstone Financial and/or representatives of Fieldstone Financial *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This

practice creates a situation where Fieldstone Financial and/or representatives of Fieldstone Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Fieldstone Financial has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Fieldstone Financial's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that Fieldstone Financial recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Fieldstone Financial to use a specific broker-dealer/custodian), Fieldstone Financial generally recommends that investment management accounts be maintained at various broker-dealer/custodians. Prior to engaging Fieldstone Financial to provide investment management services, the client will generally be required to enter into a formal *Letter of Understanding* with Fieldstone Financial setting forth the terms and conditions under which Fieldstone Financial shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Fieldstone Financial considers in recommending various broker-dealer/custodians (or any other broker-dealer/custodian to clients) include historical relationship with Fieldstone Financial, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Fieldstone Financial's clients shall comply with Fieldstone Financial's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Fieldstone Financial determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Fieldstone Financial will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Fieldstone Financial's investment advisory and planning fee. Fieldstone Financial's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Fieldstone Financial may receive from various broker-dealer/custodians (another broker-dealer/custodian, investment platform, unaffiliated investment manager, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Fieldstone Financial to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Fieldstone Financial 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 Fieldstone Financial 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 Fieldstone Financial in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Fieldstone Financial to manage and further develop its business enterprise.

Fieldstone Financial's clients do not pay more for investment transactions effected and/or assets maintained at various broker-dealer/custodians as a result of this arrangement. There is no corresponding commitment made by Fieldstone Financial to various broker-dealer/custodians or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, 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 such arrangement may create.**

2. Fieldstone Financial does not receive referrals from broker-dealers.
3. Fieldstone Financial does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Fieldstone Financial will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Fieldstone Financial. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Fieldstone Financial to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Fieldstone Financial. Higher transaction costs adversely impact account performance. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

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

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

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

- A. As referenced in Item 12.A.1 above, Fieldstone Financial receives an economic benefit from various broker-dealer/custodians. Fieldstone Financial, without cost (and/or at a discount), may receive support services and/or products from various broker-dealer/custodians.

Fieldstone Financial’s clients do not pay more for investment transactions effected and/or assets maintained at various broker-dealer/custodians as a result of this arrangement. There is no corresponding commitment made by Fieldstone Financial to various broker-dealer/custodians or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Fieldstone Financial’s Chief Compliance Officer, Kristofor R. Behn, 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.**

- B. Fieldstone Financial does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15 Custody**

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

**Please Note:** To the extent that Fieldstone Financial provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Fieldstone Financial with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Fieldstone Financial's investment advisory and planning fee calculation.

## **Item 16 Investment Discretion**

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

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

## **Item 17 Voting Client Securities**

- A. Fieldstone Financial does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Fieldstone Financial to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

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

**ANY QUESTIONS: Fieldstone Financial's Chief Compliance Officer, Kristofor R. Behn, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**