



**Disclosure Brochure**

**March 28, 2018**





# SlateStone

## — W E A L T H —

Firm Wrap Brochure  
(Part 2A of Form ADV)  
May 28, 2018

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## Item 1. Cover Page

SlateStone Wealth, LLC is a registered investment adviser with United States Securities & Exchange Commission (“SEC”). References within this Brochure to SlateStone Wealth, LLC as a “registered investment adviser” or any reference to “registered” does not imply a certain level of skill or training. Likewise, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about SlateStone Wealth, LLC is also available on the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for SlateStone is #286669. You will be able to view Parts 1 and 2 of our Form ADV.

## Item 2. Summary of Material Changes

This updating amendment to our firm brochure (previously dated June 2017) and brochure supplements, discloses the addition of our Texas branch office, as well as staff additions.

Effective in December 2017, we hired Jason Rasmussen, CFP and Glenn Koehl, CFP, previously with Capital Markets IQ, LLC (Surety Wealth Management).

Mr. Rasmussen has over 25 years of financial industry experience. Prior to founding Surety, he served as a Regional Vice President at Fidelity Investments as Retirement Consultant. Refer to his ADV Supplement for more details.

Mr. Koehl brings 25 years of experience as an advisor and consultant with investment management and retirement planning. Refer to his ADV Supplement for more details.

A summary of any material changes to our brochure will be made annually by March 31 of each year as required by the United States Securities and Exchange Commission. We may also provide updated disclosure information about material changes on a more frequent basis. Any summary of changes will include the date of the last update of our brochure.

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## Item 4. Services, Fees and Compensation

### General Information

SlateStone Wealth, LLC (“SlateStone”), is a limited liability company formed pursuant to Florida law. The firm’s corporate headquarters are located in Jupiter, Florida and regional offices are located in Boca Raton, Florida, Manhasset, New York and Southlake, Texas.

SlateStone’s principal partners/owners are Jeta Grove Partners, LLC, a domestic limited liability company established in the State of Florida. Jeta Grove Partners, LLC is solely-owned by its two partners Patrick E. Tylander and Sharon A. (“Sherri”) Daniels. In addition, Eyal (“Alan”) Galinsky and Milagros (“Millie”) Kleiner as individuals are partners in SlateStone Wealth, LLC.

SlateStone’s investment advisory and wealth management roots run deep. Our principal owners, Mr. Tylander, Ms. Daniels, Mr. Galinsky and Ms. Kleiner are investment industry veterans each of whom have decades of experience upholding a fiduciary standard and providing transparency into the wealth management process.

Our firm caters to clients seeking high-touch services across a spectrum of financial needs that may be encountered over generations. SlateStone provides a suite of specialized services combined with a defined and robust approach to understanding the emotional ties clients attach to their money well beyond investment goals for growth and preservation. What matters most is creating a deeply-rooted relationship built on a balance between the client, the advisor, the financial plan and the investment plan that instills a greater sense of confidence that goals are achievable.

### Our Services

This disclosure brochure deals only with our wrap fee programs. Descriptions and fees for our other non-wrap services, including Customized Advisory and Wealth Management and Custom Financial Planning can be found in a separate brochure, (ADV Brochure) which is always available to you on request.

SlateStone offers two wrap fee programs, Strategic Portfolio Management and Separately Managed Accounts.

A wrap-fee program bundles various services together and charges an all-inclusive fee, named a “wrap fee” because it wraps around all the services rather than charging a separate fee for each service. If you participate in one of our strategies, we charge you a single specified fee to cover the cost connected with trading securities transactions in your account, our investment management services, including custody and related services. By giving a client this benefit, SlateStone seeks to mitigate the impact of transaction costs upon a client’s portfolio investment results.

SlateStone's *Strategic Portfolio Management* program is a comprehensive investment advisory offering which includes investment portfolio design and implementation, tax efficient management and reporting plus ongoing and continuous oversight of client accounts. When advising on and constructing client portfolios, the firm will typically utilize equity and bond related ETFs, and mutual funds to build a diversified portfolio. Within this framework, we may advise that a client use a mutual fund asset allocation strategy, model portfolios or the use of an external, third-party manager. Depending on the client's objectives, the firm allocates primarily for results over time, however, based on our market analysis and viewpoint, we may also employ short term, tactical moves to protect from downside market conditions. Tactical moves may include the use of specialized funds or ETFs over the shorter term or increasing cash as deemed appropriate based on client risk tolerance and short and long term objectives.

Our *Strategic Portfolio Management* offering is comprised of five asset allocation strategies each of which is designed to address specific investment objectives and risk tolerances based upon your personal investment objectives and goals.

SlateStone also offers *Separately Managed Accounts* within a wrap-free structure. SlateStone may choose to select an outside independent manager skilled in specialized management strategies (options, alternatives, real estate, structured notes, etc.) where deemed appropriate to meet specific needs of clients including those with concentrated positions.

Within our *Separately Managed Account* service, SlateStone may recommend the use of a single diversified strategy in each client's portfolio and make available investment models and advisory services through a select group of third-party overlay managers who act as the investment manager for your account. Additionally, we use the Envestnet platform to provide related research to our investment committee regarding the investment discipline and/or approach used by the approved managers on the Envestnet platform to identify and select a single diversified strategy that best fits your specific investment objectives and risk tolerance. When utilizing a third-party overlay manager, SlateStone also acts as the overall adviser for your account on a discretionary basis and assumes the responsibility for asset allocation, manager selection and termination, as well as other related services. SlateStone will require additional documents to be completed for this service in addition to its Investment Management Agreement.

Our wrap programs provide clients with execution, clearing, and custodial services through TD Ameritrade. The Advisor also participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Advisor receives some benefits from TD Ameritrade.

The choice of the clearing firm used for your strategy account is based primarily upon existing account relationships with these firms and on our preference for the clearing firm's trading platform and user interface.

SlateStone's investment committee determines the investment advice or recommendations to be given to our clients in coordination with each of our advisor representatives ("advisor") who exercises his or her own professional judgment to provide tailored investment advice, recommendations, and advisory services to you on behalf of our firm.

Prior to participating in our program, you will execute an investment management agreement with us setting forth the terms and conditions of our management of your investments within the program. When you become a client, your advisor will gather information through in-depth personal interviews with you. This may include one or more in-person meetings and/or telephone calls. We may gather information that includes, but is not limited to, your current financial position, future goals, attitudes toward risk, and your investment objectives. We ask you to fill out a client financial profile or similar document that we will carefully review, along with all other documentation you supply. Because we only rely upon the information you provide us and do not independently verify it, you should provide us with accurate information. Based on the information you provide, we will assist you in selecting an appropriate strategy and will develop a personalized portfolio designed to meet your investment goals and objectives through asset allocation, portfolio monitoring, and consolidated reporting.

In personalizing your investment strategy, we may choose various investments including equity securities (stocks), corporate debt securities (bonds and notes), municipal securities, investment company securities (mutual funds, including money market funds), exchange-traded funds, and United States government securities.

We emphasize continuous personal client contact and interaction in providing our investment advisory services under our wrap fee program. Based on your individual investment objectives, financial situation, and risk tolerance, we will recommend an initial portfolio allocation. As your financial situation, goals, objectives, or needs change, we ask that you notify us promptly. In addition, our wealth management services including the *Strategic Portfolio Management* service is provided on a discretionary basis which means, you will have the opportunity to place reasonable restrictions on the types of investments held in your portfolio. On a discretionary basis, we can buy or sell securities on your behalf without your prior permission for each specific transaction. However, the selection of securities or other investments will be in accordance with your client profile, goals, and risk tolerance as described above.



**FinLife Partners Service Offering.** In an effort to enhance the quality and breadth of services that SlateStone Wealth provides to its Clients, SlateStone utilizes a suite of digitally powered technology solutions offered by FinLife Partners, a division of United Capital Financial Advisers, LLC (“FinLife Partners”). FinLife Partners provide access to its technology platform to SlateStone that includes use of certain technologies, training relating to use of such technologies, and if elected by SlateStone certain clerical document and data compilation services. FinLife Partners is not in any way involved in, or responsible for the individual investment management or guidance provided to SlateStone Clients. SlateStone pays FinLife Partners a flat fee for its technology implementation services and fees calculated per percentage-basis formula in accordance with the volume of clients for whom SlateStone utilizes such services and/or products. As such, for certain services offered, Clients indirectly contribute to the payment of cost of services paid to FinLife Partners. Relating to the cost for services, SlateStone maybe financially incentivized to refer clients to United Capital, thereby creating a potential conflict of interest. To address this conflict, if the Client does not want to receive SlateStone’s financial guidance services that require access to the FinLife platform, the Client may discuss alternative options with SlateStone.

## **Our Fees**

In this section, we explain how we are compensated for the various advisory services we provide within our wrap fee program.

We assess fees in the following ways:

- For *Strategic Portfolio Management Services*, Separately Managed Accounts and Customized Advisory and Wealth Management Services, we charge a percentage-based fee calculated on the market value of the assets in your account.
- For Custom Financial Planning Services, we may charge either a flat fee or an hourly fee depending on the scope of the planning services required.

Our fee includes such services as investment management, execution of securities, the quarterly reporting and monthly custodial reports, account servicing, and continuous account management. Participation in our programs may cost you more or less than purchasing these services separately. The portfolio size and amount, number of transactions made in your account, as well as the commissions charged for each transaction, will determine the relative cost of our program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Because we absorb all the transaction costs in our wrap fee programs, we have a financial incentive to trade less frequently in our client accounts because frequent trades will increase our net fee. To mitigate this conflict of interest, we carefully monitor the trading frequency as required by our fiduciary responsibility.



### Automatic Fee Deduction & Direct Billing

The percentage-based management fee is billed and computed quarterly in advance based on the total value of the account at the end of each quarter as valued by your custodian.

All management fees are charged to and deducted from the appropriate brokerage account or other custodian account, unless otherwise specifically arranged with the client. Account statements provided by your custodian will show all transactions and positions in your account, including the amount of our fees. It is the responsibility of the client, not the custodian, to verify that the advisory fee being applied to a client's account is correct.

If a client does not want fees deducted directly from the account or desires to pay fees from another account or by invoice, SlateStone management has sole discretion to bill fees separately and not take from the account. If the client is ever more than 60 days delinquent on paying any portion of fees due, the client authorizes SlateStone to take such fees directly from the account (even in the case of a retirement account). In certain unique relationships, the terms for fees and billing may differ from those described herewith.

While SlateStone's management fees will cover brokerage commissions not all transaction costs or other related expenses are covered as part of your wrap fee (see Additional Fees and Expenses below for possible additional costs you may incur).

The standard management fees for our wrap fee programs, *Strategic Portfolio Management* service and *Separately Managed Accounts*, are provided below.

***Pre-existing clients may have different fee schedules and will be grandfathered in with their pre-existing fee structure, which may be different than our Standard Management Fee Schedule for new clients.***

### Standard Management Fee Schedule

Strategic Portfolio Management Service	Total Assets	Annual Advisory Fee as % of Total Assets
	\$500,000 to \$750,000	1.25%
	\$750,000 to \$1,000,000	1.10%
	\$1,000,000 to \$2,000,000	1.00%
	\$2,000,000 to \$5,000,000	0.85%
	\$5,000,000 to \$10,000,000	0.60%
	\$10,000,000 and above	Negotiable
ETF Allocation Model	Under \$100,000	1.00%

Accounts established with less than \$500,000 are at the sole discretion of SlateStone and annual advisory fees typically range from 1.40% to 1.50% depending on total assets and investment service provided.

We also advise on 529 College Savings Plans at a flat rate of 0.50%.

Fees for Customized Financial Planning will be charged either on a flat fee or on an hourly basis and will be negotiated with the client before entering into a Customized Financial Planning Agreement.

### **Our Cancellation Process, Accrued Fees & Refunds**

A client may terminate an Account or the full relationship at any time or may change an account objective on notification to SlateStone. You shall have five (5) business days from the date of execution of the Agreement to terminate services for a full refund.

SlateStone requires a written notice of termination. Upon such notice, SlateStone will cease making investment decisions and implement any reasonable written instructions that are provided. The account can be closed and funds withdrawn only after any open trades have been settled. Upon termination of an Account, SlateStone will refund any pre-paid management fees, pro-rated to the date of termination. The client refund amount will be either credited to the Account or paid by check to the Account holder.

A one-time fee of \$1,000 to cover Account set-up expenses and advisory services will apply if the client terminates the Account within 180 days. This fee can be deducted from any reimbursement owed to the client for pre-paid fees.

### **Fee Schedule Changes**

We retain the right to amend our fee schedule. If we determine a fee change is necessary, we will send you notice in writing at least 30 days prior to the effective date. You may terminate our services if you do not accept the new fee schedule. Otherwise, the new fee schedule will be effective as of the next billing cycle.

### **Fee Changes for Changes in Services**

Your SlateStone advisor may affect a change in your fees in the event of a reduction or increase in the level of services provided to you. Your advisor will discuss this change with you prior to effecting the change. In the event there is a change in the advisory fee to be charged, we will require a new investment management agreement to be signed by you which is then reviewed and approved by our supervisory personnel prior to the fee change.

### **Additional Fees and Expenses**

**Mutual Fund and ETF Management Fees.** Accounts invested in mutual funds and exchange-traded funds generally also pay, indirectly, investment advisory fees to the managers of those funds. As such, client accounts with investments in those types of securities will be subject to two layers of management fees. An explanation of the fees and expenses paid by each mutual fund is contained in that mutual fund's prospectus.

The following is a list of additional fees and expenses that may be directly billed or assumed proportionately by you and third parties:

Transfer taxes, odd-lot differentials, margin interest, deferred sales charges (on mutual funds or annuities), wire transfer and electronic fund processing fees, advisory fees and administrative fees charged by mutual funds and exchange traded funds (ETFs). The fees listed above are charged by and paid to a broker-dealer, custodian, mutual fund company, or annuity issuer, as applicable. SlateStone does not directly or indirectly share or receive any portion of these fees.

## Item 5. Account Requirements and Types of Clients

### Types of Clients

SlateStone provides investment advisory and wealth management services to a wide variety of clients including: individuals; families; trusts, estates and charitable organizations; corporations or other business entities; not-for-profit entities, including foundations; retirement and profit sharing plans such as IRAs and 401(k), 403(b), and 457 accounts.

### Account Minimum

SlateStone typically prefers Accounts with a minimum of \$500,000 or more for its wrap fee program, *Strategic Portfolio Management Service*. For our Customized Advisory Services or Separately Managed Accounts service, a minimum of \$1,000,000 or more is preferred. SlateStone may waive minimums for its services at its sole discretion.

## Item 6. Portfolio Manager Selection and Evaluation

SlateStone evaluates various information and data about the external managers it recommends or selects for client portfolio investment under the programs. The firm generally reviews a variety of different resources, which may include the external manager's public disclosure documents, materials supplied by the external managers themselves, and other third-party analyses it believes are reputable. To the extent possible, the firm seeks to assess the external manager's investment strategies, past performance and risks in relation to its clients' individual portfolio allocations and risk exposures. SlateStone also takes into consideration each external manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other related factors.

SlateStone generally monitors the performance of those accounts being managed by external managers used in its programs by reviewing the account statements and trade confirmations produced by the account custodians, as well as other performance information furnished by the external managers and/or other third-party providers including Lipper Analytics and Envestnet among others. The firm does not verify the accuracy of any such performance information and does not ensure its compliance with presentation standards. Clients are advised that any performance information they receive from the external managers may not be calculated on a uniform and consistent basis. Clients should compare all supplemental materials with the account statements they receive from their respective custodians.

The terms and conditions under which the client engages the program provider of the external manager in SlateStone's *Separately Managed Accounts* program are set forth in additional documentation provided by the program provider and the external manager. In addition to this brochure, clients also receive the written disclosure brochure of the program provider and the designated external manager engaged to manage their assets.

#### **Participation in Wrap Fee Programs**

Our wrap fee and non-wrap fee accounts are managed on a personalized basis according to a client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts.

## **Item 7. Client Information Provided To Portfolio Managers**

SlateStone's investment committee is responsible for determining the selection of securities appropriate for its *Strategic Portfolio Management* service within the wrap program and for implementing the transactions in client accounts based upon information about the client that is shared internally with the investment team. Changes to client circumstances are the responsibility of the wealth advisor to communicate with the investment team and/or firm's Investment Policy Committee in a collaborative and coordinated manner and in order to follow an internal approval and supervisory review process.

## Item 8. Client Contact With Portfolio Managers

SlateStone's investment team and/or Investment Policy Committee, in close coordination with the client's wealth advisor, are responsible for management of the firm's wrap fee program strategies. You should notify your wealth advisor promptly if your financial situation or investment objectives change and those changes will be communicated to SlateStone's investment team for guidance and action as is warranted.

You are always free to directly contact your SlateStone wealth advisor with any questions or concerns that you may have about your portfolio.

Should you have questions about a separate account manage, SlateStone Wealth will obtain the information necessary to address your request.

### **Outside Assets Advice & Guidance**

SlateStone also provides advice and guidance on client's outside assets such as investment accounts of variable life insurance and annuity contracts, assets held in employer sponsored or individual retirement plans, and qualified tuition plans (i.e., 529 plans), amongst others. In these situations, SlateStone directs or recommends the allocation of client assets among the various investment options available within the product the assets are invested in. Client assets are generally maintained either at the underwriting insurance company or the custodian designated by the product's provider. In these arrangements, typically entry of transactions is solely the client's responsibility.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

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

SlateStone's research and investment team makes available to its professional wealth advisory staff certain information which includes recommendations on mutual funds, ETFs, variable annuity sub-accounts, equities and fixed income securities, alternatives and the use of third party managers. SlateStone's research is used by its investment professionals to then tailor a model asset allocation portfolio to a client's specific needs, circumstances and objectives. The firm's research department uses fundamental, quantitative and technical analysis in evaluating securities. Fundamental analysis involves looking at economic, financial and other qualitative and quantitative factors in an effort to measure a security's value.

We may use various financial databases and tools such as FactSet, Bloomberg Professional, Morningstar's Direct, NATIXIS and The Value Line. We also use other commercially available technology, including research provided by custodians, financial periodicals and other publications, SEC filings, and financial statements to assist with our analysis. In certain instances, we may use outside research to provide expertise in specific investment areas or for more in-depth analysis.

**Mutual Funds and ETF's.** SlateStone evaluates, selects and monitors mutual funds and ETF's across multiple asset classes and investment styles. SlateStone's investment selection process for mutual funds begins by screening potential funds using various industry sources. The firm uses specific criteria to determine the overall investment merit of a specific fund focusing on the fund's historical performance in both bull and bear markets, current performance, fund purpose and sector, price volatility, standard deviation, the fund's returns over a specific period of time, and overall management stability and integrity. SlateStone's investment process for exchange traded funds (ETFs) is based upon a quantitative methodology to choose ETFs that represent specific industry sectors, baskets of regional and international stocks, fixed-income instruments and commodities. By analyzing ETF data, our portfolio managers seek to identify ETFs that appear to be under accumulation by investors, particularly institutions, early in a trend, and those that appear to be out of favor.

**Separate Account Managers.** SlateStone's discretionary authority includes the ability to select any US registered investment adviser to manage client assets based on specific criteria and such managers may invest client assets in separate accounts or investment funds managed by other advisers. These external account managers may be authorized to buy, sell and trade in securities in accordance with client investment objectives as communicated by SlateStone. SlateStone is authorized to terminate or change independent managers when, in our sole discretion, we believe such a termination or change is in our clients' best interests. SlateStone's research and investment team conducts a thorough review process to select external manager strategies and runs portfolio analytics and reviews proprietary research along with fundamental and historical pricing and relative pricing. This review includes quantitative and qualitative analyses which may include direct discussion with fund management to assess each manager's likelihood of generating future returns as well as to measure the risks associated with the generation of those returns. The research team monitors external managers for adherence to their stated investment process and regularly assesses whether risks are being responsibly managed. The ongoing screening process is also designed to uncover new external investment strategies that may be utilized for SlateStone's clients.

**Donor Advised Funds.** SlateStone Wealth can facilitate a client's interest in charitable giving by allocating a portion of the client's assets to a donor advised fund. In specific circumstances, a foundation will administer the donor advised funds for clients and SlateStone manages this assets in these donor advised funds.

Derivative Investments. SlateStone Wealth may utilize derivative investments and options where suitable for its clients to meet specific objectives for growth, risk management, and income. The firm will determine analyze, select and monitor derivative securities for clients qualified to invest in them.

Structured Notes. Structured products are a combination of a traditional investment (equities, currencies, bonds, commodities, or funds) and one or more derivatives that are structured into one securitized instrument. Structured products may involve a high degree of risk and may be highly complex but they may also be used as flexible alternatives to traditional investment categories while providing attractive additional features, such as capital protection, yield enhancement, leverage or a combination thereof. On a selective basis, SlateStone may employ the use of structured products within your overall portfolio context and suited to our overall asset allocation, investment time horizon and risk profile. The most common type of structured product utilized selectively at SlateStone is a buffered return-enhanced note which provides for some downside protection while leveraging market returns on the upside and is linked to a particular market index.

As with any method of analysis, past performance does not assure future performance.

#### **Strategic Portfolio Management Service -- Investment Strategies**

As part of the firm's *Strategic Portfolio Management* service, SlateStone has developed and uses model asset allocation strategies and processes in managing clients' portfolios. These model strategies may be combined, as appropriate, for each client's personal financial condition and investment objectives. SlateStone offers five model Asset Allocation strategies:

- Income with Capital Preservation
- Growth
- Growth with Income
- Income with Moderate Growth
- Aggressive Growth

Based upon market conditions, the composition of the above portfolios may include the following asset classes:

- Equities including domestic, global, international, large, mid-cap and small cap, sector and diversified funds
- Fixed income including short and long term high quality, mortgage back, strategic income, bank loans
- Alternatives including long/short, tactical, hedging and cash



**Mutual Fund transaction fees.** Depending on the custodian, SlateStone may be able to purchase and sell mutual funds with no transaction fees. Note that clients who do not trade through specific custodians may not be eligible for these waived transaction fees. Fees may be imposed upon early redemption, if the fund was owned prior to our management or if we sell the fund at our discretion. An explanation of fees and expenses charged by each mutual fund is contained in that fund's prospectus.

**Brokerage Fees.** Certain of SlateStone investment strategies cover brokerage fees and commissions and others do not. Depending on the strategy being managed, SlateStone's fees include brokerage commissions, transaction fees, exchange fees, SEC fees and other related trading costs and expenses. Check with a SlateStone investment adviser to determine if the fee includes the cost of transactions.

**External Account Manager Fees.** If SlateStone engages an external account manager to manage a client's assets, the client may be responsible for paying all fees charged by the external account manager on those assets in addition to SlateStone's Strategic Portfolio Management or Customized Advisory Services fee. SlateStone will obtain written consent from the client for outside manager fees and additional documents will be required.

**SubAdvisory and Dual Contract Clients.** Fee schedules for clients participating in sub-advisory or dual contract programs may be separately negotiated with the relevant client or intermediary. The firm's standard fee schedule is not necessarily applicable to sub-advised or dual contract account clients. SlateStone's management fees for advice to clients in a dual contract, separately managed or sub-advisory account may be less than for the direct management of an account managed internally. The sub-advisor or intermediary generally charges clients quarterly in advance for some form of comprehensive fee based upon the percentage of the value of the client's assets under management in the program. This comprehensive fee may include execution, consulting, custodial and other services performed or arranged by the program sponsor and amount sufficient to cover the investment advisory services of discretionary managers such as SlateStone. In some cases, the discretionary managers fee is paid directly by the client pursuant to a separate contract executed between the manager and the client. In other programs, the manager's fee is paid directly by the program sponsor. SlateStone may participate in both types of programs and may be paid its investment management fee out of the fees collected by the sponsor or directly by the client.

## **Risk of Loss**

All investments involve the risk of loss of your principal (invested amount) and any profits that have not been realized (the securities have not been sold to realize the profit). Markets can be volatile and prices of stocks, bonds, mutual funds, exchange traded funds and other investments can fluctuate substantially over time. Other factors such as economic and political events also can affect the performance of your investments. There is no guarantee that you will not lose money or that you will meet your investment objectives. We encourage you to discuss any questions with us that may arise regarding our investment philosophy and your portfolios throughout the course of our relationship.

SlateStone Wealth manages risks within our client's portfolios by maintaining a diversified portfolio, limiting the number of holdings to a manageable total, calculating price targets and risk levels, the daily supervision of client's holdings and by consistently monitoring the trends effecting each company and industry that is owned by our clients.

Listed below are some potential risks with any investment:

**Cash Management Risks.** The firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

**Mutual Funds and ETFs.** An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

**Market Risk.** Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of SlateStone's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that SlateStone will be able to predict these price movements accurately or capitalize on any such assumptions.

**Volatility Risks.** The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

**Interest Rate Risk.** An increase in interest rates could depress the prices of bonds and other fixed income securities in a client's portfolio.

**Event Risk.** An adverse event affecting a specific company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The issuer could become unable to handle its debt service, or receive a downgraded credit rating.

**Liquidity Risk.** Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.

**Political Risk.** The events that occur in the home country of the foreign company may impact valuations. Events such as revolutions, nationalization, currency collapse or other types of events can have a negative impact on the security.

**Inflation Risk.** Inflation is a general upward movement of prices reducing your purchasing power, which is a risk for investors receiving a fixed rate of interest. The concern for individuals is that inflation will erode returns.

**Derivative Risk.** Investing and engaging in derivative instruments or derivative transactions such as options, commodity funds and commodity exchange traded funds ("ETF's"), may involve different types of risk and possibly greater levels of risk such as those listed below.

**Leverage Risk.** A derivative instrument or transaction may disproportionately increase an account's exposure to the market for the assets underlying the derivative position and the sensitivity of an account's portfolio to changes in market prices for those assets.

**Counterparty Credit Risk.** An account's ability to profit from a derivative contract depends on the ability and willingness of the other party to the contract ("counterparty") to perform its obligations under the contract. If the counterparty to an over-the-counter contract fails to perform its obligations, an account may lose the benefit of the contract and may have difficulty reclaiming any collateral that an account may have deposited with the counterparty.

**Lack of Correlation.** The market value of a derivative position may correlate imperfectly with the market price of the asset underlying the derivative position. If a derivative position is being used to hedge against changes in the value of assets in an account, a lack of price correlation between the derivative position and the hedged asset may result in an account's assets being incompletely hedged or not completely offset price changes in the derivative position.

**Illiquidity.** Over-the-counter derivative contracts are usually subject to restrictions on transfer, and there is generally no liquid market for these contracts. Although it is often possible to negotiate the termination of an over-the-counter contract or enter into an offsetting contract, a counterparty may be unable or unwilling to terminate a contract with an account, especially during times of market instability or disruption. The markets for many exchange traded futures, options and other instruments are quite liquid during normal market conditions, but this liquidity may disappear during times of market instability or disruption.

**Less Accurate Valuation.** The absence of a liquid market for over-the-counter derivatives increases the likelihood that SlateStone will be unable to correctly value these interests.

**Options Risk.** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

**Alternative Investment Risk.** Alternative investments may be recommended in specific circumstances. These investments are susceptible to many of the same risks as other securities, but also include risks such as liquidity, transparency and tax.

**Management Risk.** Your investment with my firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

**Tax Harvesting Risk.** Efficient tax-loss harvesting is an important component of a customized portfolio approach. Tax harvesting is a strategy where an ETF or mutual fund is sold at a taxable loss and replaced with a security whose historical performance and expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. Because past performance is no indication of future performance, there is potential for the future performance of the replacement position to deviate from that of the initial holding. This type of strategy may also incur an increase in the frequency of trading and amount of transaction costs.

Some of our investment strategies require that you maintain a margin account. Clients who purchase securities may pay for them in full or may borrow part of the purchase price from the broker-dealer that holds his/her account. Clients generally use margin to leverage their investments and increase their purchasing power. At the same time, clients who trade securities on margin incur the potential for higher losses. We will discuss the risks of using margin with clients to determine if it is appropriate.

**Margin Risk.** Some of our investment strategies require that you maintain a margin account. Clients who purchase securities may pay for them in full or may borrow part of the purchase price from the broker-dealer that holds his/her account. Clients generally use margin to leverage their investments and increase their purchasing power. At the same time, clients who trade securities on margin incur the potential for higher losses. We will discuss the risks of using margin with clients to determine if it is appropriate.

#### **Voting Client Securities**

We will not vote the proxies for securities held in your accounts. Proxy materials will be forwarded to you for voting. If you have questions about a proxy solicitation, we would be happy to discuss it with you.

## **Item 9. Additional Information**

#### **Disciplinary Matters**

Neither SlateStone Wealth nor any of its employees have any disciplinary matters to disclose regarding its advisory business or the integrity of its management.

#### **Financial Industry Affiliations**

SlateStone Wealth LLC is an independent investment advisory firm and is not affiliated with a securities broker-dealer, futures commission merchant, or investment company. Certain SlateStone employees may serve on corporate boards; however, such board participation requires approval by SlateStone's CEO and does not create any material conflict for SlateStone or the employee/principals involved.

**Outside Business Activities of Employees.** Some of our employees may own companies that perform legal, insurance, real estate, and accounting services. These are not affiliated with, controlled by, or under common control with us. Their respective services are provided under a separate agreement and are unrelated, separate, and distinct from the services we provide. You are under no obligation to utilize these services in connection with any of the services that we provide.

SlateStone Wealth does not receive any compensation for the sale of insurance products nor will it reduce its advisory fee to offset commissions paid in connection with the sale of one of these products.

Terri King, a partner of SlateStone is a partner/owner of a CPA Firm providing accounting and tax services to businesses, trusts and individuals. There is no conflict of interest with the services she provides and there is no sharing of information by SlateStone to Ms. King's firm.

Jason Rasmussen and Glenn Koehl both hold an insurance license and receive commissions from the respective insurance company for selling insurance and annuity products. This commission is generally determined as a percentage of the face amount of the policy or annuity depending on the product type, terms and the insurance company itself. There may be other products available with similar features which may pay a lower commission. A conflict of interest exist whereby both Mr. Rasmussen and Mr. Koehl have an incentive to recommend these products based on possibly receiving commission rather than on the client's needs. Mr. Rasmussen and Mr. Koehl are both obligated to discuss these conflicts with clients in advance of proceeding with one of these products.

### **Code Of Ethics and Personal Trading**

Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act") requires all investment advisers to establish, maintain and enforce a Code of Ethics. Accordingly, the Act places a fiduciary standard on the adviser to act in the best interest of each client.

SlateStone has adopted a Code of Ethics designed to identify and mitigate conflicts of interest. All employees are considered "Access Persons" of the Firm. Access Persons are individuals who may have access to nonpublic information, or regarding our investment strategies and advice. All employees are subject to this Code and are expected to comply with applicable laws, exhibit high ethical standards and to place clients' interests first. The fiduciary duty of an adviser and its representatives is a core principle underlying the adviser's Code of Ethics and sets out the responsibility of the adviser to place the interests of clients ahead of its own.

SlateStone employees are required to report all personal securities transactions except for transactions in: U.S. government obligations; Money market funds; Bankers acceptances; Bank CDs; Commercial paper; High quality short-term debt instruments; shares issued by money market funds, open end mutual funds registered in the US and shares issued by unit investment trusts that are exclusively invested in open-end mutual funds registered in the US. Our Chief Compliance Officer or designee is responsible for reviewing these transactions and holdings.

SlateStone employees may invest in the same securities that SlateStone recommends to its clients. All such transactions are reviewed by SlateStone's compliance department and if such transactions are permitted, it is because SlateStone believes that such transactions do not to present a conflict of interest considering the markets and liquidity for the securities traded. Any employee transaction in securities that would be deemed to create a conflict of interest with clients and/or client accounts would require prior approval.

Our Code of Ethics also provides that our employees may not serve on the board of directors of any public company, including mutual fund boards of trustees without approval. Employees must obtain prior written permission to serve as a trustee on a client account other than the account of a family member or to serve as a trustee or a board member for any charity or not for profit entity. If such service is approved, it is because it does not create any conflict of interest.

You may request a complete copy of our Code of Ethics by contacting us at the address, telephone or email address on the cover page of this Brochure.

### **Interest in Client Transactions**

SlateStone Wealth does not participate in or hold interests in client transactions.

### **Review of Accounts**

SlateStone strongly believes that ongoing client account reviews are an integral part of a proactive wealth advisory process. We conduct reviews to help ensure that the investments in your account are still consistent with your stated investment objectives and risk tolerance guidelines. We encourage you to compare the information on any account statement you receive from us with your custodial statements to determine whether there is any inconsistent information. Please note that our written performance reports may vary from official custodial statements based on differences in accounting procedures, reporting dates, or valuation methodologies of certain securities.

You will receive reports at least quarterly from your account custodian. You may also receive written performance reports from SlateStone as often as agreed upon between you and your advisor, but usually not more frequently than quarterly.


The firm has developed a process to conduct regular client portfolio reviews and ongoing monitoring of client accounts.

SlateStone's wealth advisors, supported by the investment and portfolio management team, are responsible for clients' investment plans and positioning of accounts based on market conditions and risk tolerances. In addition to our ongoing monitoring of managed clients, the wealth advisors and client advisors will conduct an in-depth review of client portfolios at a minimum annually and more frequently based on a determination with individual clients or the complexity of the strategy. Part of the review process includes a careful review of the client objectives to confirm nothing has changed as well as a review of the asset allocation to determine it is in line with stated objectives and is being managed in accordance with SlateStone's stated strategy objective, policies and procedures.

SlateStone's Operations Team is responsible for compiling new account paperwork with the advisor representative and/or business development advisor's involvement. The operations team will review new account paperwork at the beginning of the relationship to ensure that we have obtained all the appropriate documents required to manage the accounts including, objectives, and risk profile.

SlateStone's Chief Executive Officer or Chief Investment Officer or his or her designee will also conduct a review of the services selected and the suitability of those selections based on the information provided as part of the new account documentation. At a minimum, accounts are reviewed by senior management on an annual basis to ensure that current investments remain consistent with stated objectives. Significant changes in the market, as well as any changes in a client's financial circumstances that have been communicated to SlateStone, may also trigger a more frequent review of client portfolios. Furthermore, client accounts are reviewed when a major event or shift in market conditions are likely to impact holdings. Importantly, SlateStone's Chief Compliance Officer will also conduct periodic reviews of client portfolios to determine the suitability of the strategy being employed and that it remains in line with client's stated objectives as detailed on the client's respective Client Profile Questionnaire.





Financial planning services clients are reviewed by our financial planning team on an “as needed” or pre-decided basis. We may provide these clients with summaries of our analyses and related conclusions as well as special reports that we mutually agree are necessary. The frequency of these reviews will be determined with the client and their respective advisor representative. We encourage our clients to discuss their needs, goals and objectives and keep us informed of any material changes.

#### **Client Referrals and Compensation**

From time to time, we engage solicitors to market our services. When we do so, you will receive a separate solicitor’s disclosure statement describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Form ADV, Part 2A, as our ADV brochure. The amount of the solicitation fee will be paid by SlateStone out of the total advisory fees you pay for our investment management services.

#### **Financial Information**

This item is currently not applicable to SlateStone Wealth, LLC. We have no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and we have not been the subject of a bankruptcy proceeding