

**Item 1 - Cover Page**  
**Form ADV Part 2 Brochure**

September 5, 2019

# Collaboration Capital

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*This brochure dated September 5, 2019 ("Brochure"), provides information about the qualifications, investment strategies, and business practices of Collaboration Capital, LLC and its affiliates described herein ("Collaboration Capital" or the "Firm"), an investment adviser registered with the U.S. Securities and Exchange Commission (the "SEC").*

*Please note that SEC registration status does not indicate a particular level of skill or training of Collaboration Capital or its employees and that neither the SEC nor any state securities authority has approved this Brochure. The information in this Brochure has not been approved or verified by the SEC or by any U.S. state securities authority.*

*If you have any questions about the contents of this Brochure, please contact us at (346) 319-4783 or by e-mail: [info@collaboration.capital](mailto:info@collaboration.capital). Additional information about Collaboration Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Collaboration Capital's IARD/CRD number is 289777.*



## Item 2 - Material Changes

This Brochure dated September 5, 2019, contains the following material changes since the last update dated March 31, 2018:

- Item 4 - Advisory Business - has been updated to include the new ownership structure of the firm as it was acquired by The Next Seed, Inc. on August 20, 2019. The Senior Officers of the Firm will remain the same.

We will ensure that our clients receive a summary of any material changes to this and subsequent Brochures annually. We will also provide other ongoing disclosure information about material changes as necessary and provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Collaboration Capital's Brochure can be requested by contacting the Chief Compliance Officer at (346) 319-4783 or [info@Collaboration.Capital](mailto:info@Collaboration.Capital).



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## Item 4 - Advisory Business

### Background and Ownership Structure

Collaboration Capital, LLC (“Collaboration Capital” or the “Firm”), a Texas limited liability company, is an investment adviser that is registered with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training. The Firm is headquartered in Houston, Texas. The Firm has been in business since August 2017. The primary owners of the Firm were Christopher L. Knapp and Steven H. Schow until August 20, 2019 at which time the Firm was acquired by The Next Seed, Inc. Certain former owners of the Firm own interest in the purchaser, however, none of these owners have a controlling interest or are control person of the Firm. Senior officers of Firm are Christopher L. Knapp, CEO; Gary T. Fitzgerald, COO and CCO; and, George Rooney, CIO.

### Advisory Services

As part of the Firm’s investment management services, the Firm offers a range of investment solutions to businesses, institutions, pension funds and other retirement accounts, high net worth individuals, individuals and charitable organizations (“Client”). The Firm generally provides investment management services in accordance with applicable investment guidelines and restrictions, which includes restrictions on investing in certain securities, or types of securities or other financial instruments, that are developed in consultation with the Client, or in accordance with the mandate selected by the Client (e.g., fixed income, cash management, equity, alternative, index or multi-asset). The Firm uses both automated and manual processes to help ensure Client portfolios are managed in accordance with their stated portfolio investment guidelines and restrictions. Please refer to Item 13 for information on account reviews.

The Firm’s investment management services are offered through separate account management, which are provided by either Collaboration Capital or through a sub-advisory arrangement with a Client’s primary investment adviser. The types of Clients to which the Firm provides investment management services are more fully disclosed in the Firm’s Form ADV Part 1 and summarized in “Item 7 - Types of Clients” of this Brochure.

The Firm’s investment strategies are developed to align with our Client’s personal values, with respect to investments in securities, financial instruments, fixed income and other types of financial instruments and investments (see Item 8 for further details on our investment strategies and the types of investments we utilize). The Firm’s advisory services consist of managing each of its Client’s accounts, including sourcing, selecting, determining investments in, and monitoring investments in and the placement of transactions on behalf of its Clients. The Firm will manage each Client account in accordance with the investment objectives, policies and guidelines established by its Clients.

The Firm tailors its investment advice to the specific needs of its Clients and is subject to applicable investment restrictions set forth in the investment management agreement for the applicable Clients. The Firm works with Clients to formulate appropriate and agreed-upon investment guidelines. The Firm works with Clients to determine the feasibility of monitoring proposed restrictions and limitations. Clients who restrict their investment portfolios can experience potentially worse performance results than Clients with unrestricted portfolios even for Clients with similar objectives. The Firm reserves the right to reject or terminate any Client’s account that seeks restrictions which the Firm is unable to implement, or which have the potential to fundamentally alter the investment objective



of the strategy selected by the Client. Investors who participate in pooled investment vehicles, such as Open-End Mutual Funds, cannot generally tailor investment guidelines.

When the Firm serves as investment adviser, it enters into a written investment management agreement with each Client. Investment management agreements include provisions related to each Client's management fees, investment strategy, investment guidelines, termination rights, proxy voting and sub-adviser, if applicable.

There are times when a client may decide to use margin in their account, or when a margin account is necessary, such as when a client uses leverage as part of their strategy or invests in options. Margin accounts carry risk, which is summarized in Item 8 below and should be considered before opening a margin account. In addition, clients will be charged margin interest by the custodian on the debit balance in their custodial account. Please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk.

### **Sub-Adviser Arrangements with Unaffiliated Third-Party Advisers**

The Firm does not currently engage any unaffiliated third-party investment advisers to serve as a sub-adviser and provide investment management services to the third-party advisers' clients.

### **Wrap Fee Programs**

The Firm does not currently participate in wrap fee programs.

### **Regulatory Assets Under Management**

As of December 31, 2018, the Firm actively advised \$150,119,771 of assets on a discretionary basis and \$0 of assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### **Advisory Services Compensation**

The Firm's fees generally depend on the services being provided and vary based on a variety of factors, including, but not limited to, the investment mandate or strategy, degree of servicing required, account/relationship size, market-place conditions and other factors the Firm deems relevant. For investment management services, fees typically are expressed as a percentage of the net assets under management.

The Firm's investment management fees are typically calculated as a percentage of the market value of a Client's assets under management in accordance with its contractual agreements. Fee breakpoints are available for certain strategies and product types. The Firm's standard fee schedules, which are subject to change and can be negotiated at the discretion of the Firm, are described below under "Fee Schedules". We have existing Clients that have different fee arrangements from those described herein.

The Firm, in its sole discretion, can charge lower management fees or waive account minimums based on certain criteria, including product type, investment strategy, client type, Client domicile, services provided, the Client's historical relationship with the Firm, number of related investment accounts, account composition or size, anticipated future earning capacity, current and anticipated future assets under management, marketplace considerations, early adoption of an investment strategy or investment in a particular vehicle, operational or



investment limitations or restrictions, level of Client servicing required, and other factors the Firm deems relevant. The Firm, in its sole discretion, can also waive or charge lower management fees and waive account minimums for employees, including portfolio managers, affiliates or relatives of such persons. Assets from related accounts are aggregated when they share account owners for fee billing purposes according to the Firm's policies and procedures. Please see the section below for additional information regarding the Firm's aggregation of assets from related accounts for the purpose of calculating fees.

To the extent fees are negotiable, certain Clients can pay more or less than other Clients for the same management services. In cases where a consulting or referral arrangement is in place in which a broker-dealer, investment adviser, trust company or other provider of financial services typically provides Clients with services that complement or supplement the Firm's services, the Firm, in its sole discretion, can charge lower management fees for accounts managed.

As mentioned in Item 4 above, there are times when a client may decide to use margin in their account, or when a margin account is necessary, such as when a client uses leverage as part of their strategy or invests in options. Margin accounts carry risk, which is summarized in Item 8 below and should be considered before opening a margin account. In addition, clients will be charged margin interest by the custodian on the debit balance in their custodial account. Please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. The Firm does not charge fees based on the margin portion of the Client's account.

The Firm invoices Clients on a quarterly basis in advance for its investment management fees. In any partial billing period, the Firm pro-rates fees based on the number of days an account is open. The Firm does not adjust fees for additions or withdrawals. The Firm will send invoices to custodian to debit fees as outlined in client agreement. The Firm can invest Separate Account assets in unaffiliated pooled investment vehicles that charge fees described in the pooled investment vehicles' governing documents. Separate Account assets invested in these unaffiliated pooled investment vehicles will pay both the Firm's investment management fee and the unaffiliated pooled investment vehicles' fees and expenses.

## Fee Schedules

Typically, a Separate Account Client will pay management fees ranging from 1.00 % to 0.5 % annually based on account size. The following fee schedule sets forth a basic description of certain advisory fee arrangements:

Account Size	Annual Fees
\$0 - \$4,000,000	1.00 %
\$4,000,001 - \$10,000,000	0.70 %
Over \$10,000,001	0.50 %

Since the fee schedule above is a tiered schedule based on a client's AUM, it means that the greater a client's AUM is, the lower the client's investment management fee will be. To calculate these breakpoints, the Firm will "household" client accounts. The Firm defines a household as all children, grandchildren and parents as communicated by the client, which are associated by blood or by operation of law. Consequently, the annual fee



rate is calculated based upon the breakpoint achieved (if any) based on the combined assets of all client accounts within a household and applied to each individual account.

Please note, fees and other compensation are negotiated in certain circumstances, and arrangements with any particular Client will vary.

### **Separate Accounts**

The Firm's investment management fee for managing a Separate Account is determined through negotiation with each Client and are set forth in the investment management agreement with the Client. Management fees are calculated and billed as described above.

### **Other Fees and Expenses**

In addition to the Firm's investment management fee, Clients will incur operating and transaction fees, costs and expenses associated with maintaining their accounts imposed by custodians, brokers, futures commission merchants, prime brokers and other third-parties. Examples of these charges include, but are not limited to: custodial fees; brokerage fees; commissions; margin fees; deferred sales charges; "mark-ups" and "mark-downs" on trades; odd-lot differentials; transfer taxes; handling charges; exchange fees (including foreign currency exchange fees); interest to cover short positions; wire transfer fees; electronic fund fees; conversion fees for American Depositary Receipts ("ADRs"); other fees and taxes on brokerage accounts and securities transactions; and, costs, expenses and fees (including investment advisory and other fees charged by the investment advisers of funds in which the Client's account invest) associated with products or services that could be necessary or incidental to such investments or accounts.

A client invested in mutual funds and ETFs are subject to certain fees and expenses that are imbedded in the price of the mutual fund or ETF. These fees are described in each fund's prospectus. Mutual funds also can charge a 12b-1 fee (i.e., distribution and service fee), a front-end load, deferred sales, and/or surrender charges. Clients invested in private funds are subject to certain fees, including a management fee, performance or incentive fee and other fees and expenses, which are outlined in the fund's offering documents. The Firm does not receive any portion of these commissions, fees or costs.

To the extent the Firm should act as a sub-adviser, the Firm will receive a portion of the management fee the end Client pays to the adviser; these Clients do not pay any fees, commissions or expenses directly to the Firm.

With respect to such services (which can include, but are not limited to, custodial, securities lending, brokerage, futures, banking, consulting or third-party advisory, or legal services, etc.) each Client may be required to establish business relationships with relevant service providers or other counterparties based on the Client's own credit standing. The Firm will not have any obligation to allow its credit to be used in connection with the establishment of such relationships, nor is it expected that such service providers or counterparties will consider or rely on the Firm's credit in evaluating the Client's creditworthiness.

See Item 12 - Brokerage Practices of this Brochure for more information about soft-dollars, conversion fees for ADRs, and additional discussion of brokerage and other transaction costs.



## **Other Compensation**

Neither the Firm nor any of its supervised persons receives compensation for the purchase/sale/holding of securities or other investment products.

## **Termination and Fees**

The Firm's standard investment management contract generally permits either party to terminate the contract following 3 days written notice. Upon termination, Clients are billed only for the pro-rata portion of the management period. Clients do not pay a termination fee to the Firm. The Firm does not adjust fees for additions or withdrawals.

## **Brokerage Fees or Costs**

Item 12 of this Brochure provides a detailed discussion of the Clients' brokerage practices and related costs and fees.

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

The Firm does not currently charge performance-based fees.

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

As discussed in Item 4 - Advisory Business of this Brochure, the Firm will provide investment management services, as an investment adviser or sub-adviser, through separately managed accounts.

The Firm's Clients include, but are not limited to: businesses, institutions, pension funds and other retirement accounts, high net worth individuals and individuals.

For new accounts, the Firm generally requires \$500,000 or more to establish a Separate Account depending on the strategy, but such amount can be waived at the Firm's discretion.

The Firm can waive the minimum asset amount and, in its sole discretion, reserves the right to decline any account. The Firm also reserves the right to close any account which falls below the minimum requirements to establish an account due to Client activity or as a result of market movement. We may not be able to fully implement the Firm's investment recommendations for a particular strategy in accounts with lower asset amounts, depending on the price of securities and the size of the accounts.

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

### **Investment Strategies, Instruments and Certain Related Risks**

Investing in securities involves risk of loss that Clients should be prepared to bear.





## Investment Strategies

The Firm offers several investment strategies to Clients and in doing so will invest in a wide range of securities and other financial instruments, including, but not limited to: equity securities of domestic and foreign issuers (both publicly and privately traded); corporate debt securities of domestic and foreign issuers (both publicly and privately traded); derivative securities, including, but not limited to, futures, options, swaps and forward contracts; warrants; commercial paper; foreign currency contracts; registered investment company securities, including exchange-traded funds (“ETFs”); and U.S. government securities. As financial markets and products evolve, the Firm may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with Client guidelines, objectives, and policies. The Firm generally invests for long-term growth of capital and income. Within that framework, Client objectives and unique circumstances will dictate that short-term positions be taken.

For illustrative purposes, the Firm’s strategies are divided into three different investor profiles with a focus on environmental, social and governance criteria or “ESG”:

### The Stalwart

Stalwarts allocate the majority of their capital to arguably traditional investments while making nominal yet essential commitments to new ideas. The Stalwart has taken the first step in bridging the old and the new. Portfolio constituents for a Stalwart investor might include: public debt which includes traditional ladders including ESG-factored taxable and tax-exempt fixed income strategies; public equity, which includes a blended cap core strategy with a secondary focus on US and Global ESG strategies; and private equity with a focus on traditional owner-operator funds .

### The Advocate

The Advocate is often invested in a balanced portfolio, broadly diversified, that combines fundamental securities analysis with progressive commitment to mission alignment. Portfolio constituents for an Advocate investor might include: public debt with a focus on ESG-factored taxable and non-taxable fixed income strategies; public equity with a focus on US and Global ESG strategies and a secondary focus on a blended cap core strategy; private debt with a focus on commingled credit funds including alternative fixed income; and private equity with a primary focus on owner-operator funds and a secondary focus on direct investment in seed investments in early-stage social enterprises.

### The Apostle

The Apostle is the third investor profile. It is not uncommon for the Apostle generation to be adopting children from another country. Perhaps they are married to someone from a completely different socioeconomic group than the parents or grandparents - more often than not, speaking multiple languages. Their life experience and what frames expectations of outcome are often vastly different from their grandparents even though they're coming from, in many instances, traditional families. Portfolio constituents for an Apostle investor might include: public equity with a focus on US and Global ESG strategies and a secondary focus on a blended cap core strategy; private debt with a focus on commingled credit funds including alternative fixed income and debt financing for early stage social enterprises including alternative fixed income; and private equity with a primary focus on traditional owner-operator funds and a secondary focus on direct investment in seed investments in early-stage social enterprises including venture capital.



## **Investment Process**

The Firm's investment process uses proprietary research to select investments and determine the weighting of each investment. Financial analysis combined with industry experience will be utilized to identify the investments which the portfolio managers believe present the best opportunities for income and appreciation. The Firm's investment team analyzes company financial statements, competitive positioning within the industry and security valuation. The investment team regularly assesses the portfolio to determine what changes might be needed to determine attractive portfolio risk/reward attributes.

## **Alternative Investments**

Depending on the sophistication and risk tolerances of its clients, the Firm recommends, as part of a client's overall investment strategy, that a portion of such client's assets be invested in Private Funds or other alternative investments. Such investments present special risks for the Firm's clients, including without limitation, limited liquidity, higher fees, volatile performance, heightened risk of loss, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. Therefore, private investments may not be suitable for all clients and will be offered only to those qualifying clients for whom an investment therein is determined to be suitable (Please refer to Item 12 below for further information on allocation of Private Fund investments). Generally, such investments are available for investment only to a limited number of sophisticated investors who meet the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and "qualified client" under the Investment Advisers Act of 1940. It is important that each potential qualified investor fully read each offering or private placement memorandum prior to investing. Private Funds often impose performance-based fees or incentive allocations payable to the fund manager or general partner. Such performance-based fee/incentive allocation structures can create an incentive for the managers of the Private Funds to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee/incentive allocation structure. Additionally, the performance-based fee structure could also cause the portfolio managers responsible for the Private Funds to devote a disproportionate amount of time to the management of the Private Funds, and compensation could be larger than it otherwise would have been because the fee/incentive allocation will be based on account performance instead of a percentage of assets under management.

Some of the Private Funds that the Firm invests in for clients employ alternative or riskier strategies, such as the use of leverage or hedging. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Hedging on the other hand occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an option or short sale. While leverage or hedging can operate to increase rates of return it also increases the amount of risk inherent in an investment. Additionally, certain Private Funds can be more illiquid than others, meaning that an investor's investment can be "locked up" for a defined period of time or for the life of the Private Fund. The illiquidity of each Private Fund depends on a few factors, including but not limited to the type and liquidity of the Private Fund's underlying investments. It is important for investors to read the Private Fund's offering documents fully before investing.



## Management Services with Respect to Client Accounts

The Firm considers a variety of risks that can affect Client accounts, including margin-to-equity ratios, liquidity issues and counterparty risk, among others. Such risk assessment and management efforts will relate to both equity and commodity-related positions. The Chief Compliance Officer and the portfolio managers work to identify these and other risks and monitor the materiality of these risks with respect to portfolios managed by the Firm on a periodic basis as part of the Firm's general compliance program.

## Certain Risk Factors

Clients should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss and Clients should be prepared to bear the loss of assets invested. There can be no assurance that Clients will achieve their investment objectives or that investments will be successful or profitable. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client's investments fluctuates due to market conditions and other factors. Nothing in this Brochure is intended to imply, and no one is or will be authorized to represent, that the Firm's investment strategies and services are low risk or risk free. The investment decisions made, and the actions taken for Client accounts are subject to various market, liquidity, currency, economic and political risks, and will not necessarily be profitable. Past performance of Client accounts is not indicative of future performance. Clients are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. This Brochure does not include every potential risk associated with an investment strategy, or all of the risks applicable to a particular Client account. Rather, it is a general description of the nature and risks of the strategies and securities and other financial instruments in which Client accounts can invest. The following risks can apply to strategies managed by the Firm:

*ADR Risk.* ADRs are certificates of ownership issued by a U.S. bank that represent indirect ownership of a certain number of shares of a specific foreign firm. Shares are held on deposit in a bank in the firm's home country. ADRs carry political risk regarding the stability of the local governments of the underlying company, currency/exchange rate risk which can cause a depreciation in the price of the underlying shares, and hence a diminishing of value of the ADR, and inflationary risk which is related to exchange rate risk.

*Asset Allocation and Rebalancing Risk.* The risk that a Client's assets may be out of balance with the target allocation. Any rebalancing of such assets by the Firm may be limited by several factors and, even if achieved, may have an adverse effect on the performance of the Client's assets.

*Concentration Risk.* The increased risk of loss associated with not having a diversified portfolio (i.e., Client accounts concentrated in a geographic region, industry sector or issuer are more likely to experience greater loss due to an adverse economic, business or political development affecting the region, sector or issuer than an account that is diversified and therefore has less overall exposure to a particular region, sector or issuer).

*Correlation Risk.* The risk that the performance of the underlying investment held in a Client's account may underperform or differ from the market, or prior to maturity, perform differently than the payment at maturity formula due to changes in factors influencing the structured investments, including equity performance and/or changes in credit spreads, implied volatility, interest rates and/or dividends.



*Equity Risks.* The market price of securities owned by Clients may go up or down, sometimes rapidly or unpredictably. The equity securities in Clients' portfolios may decline in value due to factors affecting equity securities markets generally. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries such as labor shortages or increased production costs and competitive conditions. The Firm maintains risk management policies and procedures in connection with its investment within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. Additionally, securities which the Firm believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the anticipated time frame. As a result, Clients may lose all or substantially all of their investments in any particular instance.

*Fixed Income Securities.* The Firm invests Client assets in bonds or other fixed income securities of issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Firm invests will change in response to fluctuations in interest rates. Additionally, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

*General Economic and Market Conditions.* The success of the Firm's activities is affected by general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, inflation rates, economic uncertainty, and changes in laws (including laws relating to taxation of Client investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters, security operations, the European debt crisis or the U.S. budget negotiations). These factors may affect the level and volatility of securities prices and the liquidity of Client investments. Volatility and/or illiquidity could impair a Client's profitability or result in losses. Clients could incur material losses even if the Firm reacts quickly to difficult market or economic conditions, and there can be no assurance that Clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Clients should realize that markets for the financial instruments in which the Firm may invest Client assets can correlate strongly with each other at times or in ways that are difficult for the Firm to predict. Even a well-analyzed approach may not protect Clients from significant losses under certain market conditions.

*Highly Volatile Markets.* The prices of financial instruments in which the Firm invests Client assets can be highly volatile. Price movements of the financial instruments in which Client assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. Additionally, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence



prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

*Illiquid Investments.* Under certain market conditions, such as during volatile markets or when trading in an interest or market is otherwise impaired, the liquidity of Client investments may be reduced. Additionally, a Client may from time to time hold large positions with respect to a specific type of investment, which may reduce the Client's liquidity. During such times, the Client may be unable to dispose of certain assets, which would adversely affect the Client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Client to dispose of assets at reduced prices, thereby adversely affecting the Client's performance. If there are other market participants seeking to dispose of similar assets at the same time, the Client may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a Client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, the Client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Client's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for Client investments. Illiquid assets may also be difficult to value.

*Investment and Trading Risks Generally.* All investments risk the loss of capital. No guarantee or representation is or can be made that the Firm's investment program will be successful. The Firm's investment program may involve, without limitation, risks associated with limited diversification, short-selling, commodity interest trading, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Firm's activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which the Firms' Clients may be subject. In addition, Client investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions.

In making investments, the Firm may utilize highly speculative investment techniques, including high leverage, highly concentrated commodity portfolios and illiquid investments. Such investments may expose Clients' assets to the risks of material financial loss. Certain of the Firm investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which Clients may be subject. Additionally, the Firm's investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions.

The Firm's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

*Large-Cap Company Risk.* Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion.

*Leverage Risks.* The Firm may have the authority to borrow funds and may do so when deemed necessary or appropriate by the Firm or its affiliates. The Firm may borrow funds on behalf of its Clients from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by Client assets. The use of such leverage can, in certain circumstances, maximize the losses to which a Client's investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or the Client as a whole is leveraged. The cumulative effect of the use of leverage in a market



that moves adversely to Client investments could result in a substantial loss to Clients, which would be greater than if Clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The purchase of options generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to a Client. In addition, a Client may have unlimited discretion to use derivative instruments, which generally provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment.

Certain Client transactions, including futures contracts and short positions in financial instruments, may give rise to a form of leverage. Leverage can magnify the effects of changes in the value of the Client's investments and make the Client's portfolio more volatile. Leverage creates a risk of loss of value on a larger pool of assets than the Client would otherwise have had, potentially resulting in the loss of all assets. The Client may also have to sell assets at inopportune times to satisfy its obligations in connection with such transactions.

*Limited Diversification and Risk Management Failures.* At any given time, Client assets may not be diversified to any material extent and, as a result, Clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by Firm Clients, decline. Additionally, Client portfolios could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by Clients. This limited diversity could expose Clients to losses disproportionate to market movements in general. Other investors pursue similar strategies, which creates the risk that many investors may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although the Firm attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in the Firm's risk management efforts could result in material losses for Clients.

*Litigation.* The Firm's investment activities may subject it, its affiliates and its Clients to the risks of becoming involved in litigation with third parties. The expense of defending against claims against a Client by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Client. The Firm and its affiliates will generally be indemnified by its Clients in connection with any such litigation, subject to certain conditions.

*Low Trading Volume Risk.* The risk that a Client may not be able to monetize its investment or will have to do so at a loss as a result of generally lower trading volumes of the securities compared to other types of securities or financial instruments.

*Management and Strategy Risk.* The value of a Client's investment depends on the judgment of the Firm about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, which may prove to be incorrect. Investment strategies employed by the Firm in selecting investments for a Client may not result in an increase in the value of the Client's investment or in overall performance equal to other investments.

*Non-U.S. Investments.* The Firm may periodically invest Client assets in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time,





governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. Additionally, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Firm may be unable to structure Client transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Firm's Clients' rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to Clients under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

*Operational Risk.* The risk of loss arising from shortcomings or failures in internal processes or systems of the Firm, external events impacting those systems and human error. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents such as major system failures.

*Position Limits.* "Position limits" imposed by various regulators may also limit the Firm's ability to effect desired trades. Position limits are the maximum amount of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Firm does not intend to exceed applicable position limits, it is possible that different accounts managed by the Firm may be aggregated. To the extent that Client position limits were collapsed, the effect on Clients and resulting restriction on their investment activities may be significant. If at any time positions managed by the Firm were to exceed applicable position limits, the Firm would be required to liquidate positions of its Clients to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Firm might have to forego or modify certain of Client contemplated trades.

*Private Funds Investment Risk.* The managers of Private Funds will have broad discretion in selecting the investments for the fund. There are few limitations on the types of securities or other financial instruments which can be traded and no requirement to diversify. Depending on the type of Private Fund, the Private Fund's manager may trade the assets of the fund on margin or otherwise leverage positions, thereby potentially increasing the risk to the Private Fund and its investors. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client should read the private placement memorandum and/or other documents explaining such risks, before investing.

*Secondary Market / Limited Liquidity Risk.* The risk that the secondary market for one or more of the underlying structured investments may be limited due to a particular issuer exposure, volatility of a referenced asset or for other reasons. This lack of liquidity in the secondary market may make one or more of the underlying



investments more difficult to dispose of and to value, and, therefore, may result in the strategy being less liquid than other strategies and may negatively impact secondary market valuations.

*Startup Risk.* Investing in startups carries a high degree of risk. In general, financial and operating risks confronting both early and developmental-stage companies, as well as more mature expansion-stage companies are significant. Many emerging growth companies go out of businesses every year. It is difficult to know how companies will grow, if at all, or what changes may occur in the market. A loss of an investor's entire investment is possible, and no profit may be realized. Investors are responsible for conducting their own due diligence.

*Tax, Legal and Regulatory Risks.* The risk of loss due to increased costs and reduced investment and trading opportunities resulting from unanticipated legal, tax and regulatory changes, including the risk that the current tax treatment of securities could change in a manner that would have adverse consequences for existing investors.

*Terrorist Attacks, War and Natural Disasters.* Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent the Firm and its Clients from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and the Firm's Clients for the short or long-term in ways that cannot presently be predicted.

## **Item 9 - Disciplinary Information**

Form ADV Part 2 requires investment advisers to disclose legal or disciplinary events involving the Firm or its partners, officers, or principals that are material to the evaluation of its advisory business or the integrity of its management. The Firm has no information to report that is applicable to this item.

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

As a result of the Purchase of the Firm by The Next Seed, Inc. the Firm now has two affiliated broker/dealers, NextSeed Securities, LLC, a registered broker/dealer and member of FINRA and NextSeed US LLC, a registered funding portal and a member of FINRA. The Firm is not registered, and does not have an application pending to register, as a futures commission merchant, commodity pool operator, or commodity trading advisor. The Firm does not currently act as an investment adviser to registered investment companies.

## **Conflicts Related to Affiliations and Other Legal Restrictions**

From time to time, certain employees and affiliates of the Firm serve as directors and officers of, and provide advice to, privately held or publicly traded companies in which the Firm's Clients invest. Clients should be aware that the receipt of non-public information by the Firm's related persons regarding these companies could preclude the Firm from effecting discretionary transactions on behalf of Clients in certain securities of these issuers. In addition, the Firm, from time to time, will engage third-parties to provide certain consulting and strategic advisory services with respect to the Firm and/or its affiliates. In consideration of such services, the Firm will provide office space, administrative support and other benefits to such persons.





Christopher Knapp, CEO of the Firm, currently serves as a Board Member for NextSeed US LLC (“NextSeed”), a portfolio contributor to the Firm. NextSeed US LLC is a funding portal registered with the Securities and Exchange Commission (SEC) and a FINRA member in accordance with “Regulation Crowdfunding” promulgated to implement Title III of the JOBS Act. NextSeed provides investment crowdfunding for start-ups and other businesses. Such business is located at 800 Town & Country Blvd., Suite 220, Houston, TX 77024. Mr. Knapp devotes less than 10% of his time to his board duties and does not receive compensation for his role as a Board Member. His responsibilities include attending quarterly board meetings and providing professional guidance to NextSeed executives. Mr. Knapp understands that he owes a fiduciary duty to each Client he serves and therefore must serve the interests of Clients with a high standard of care and diligence in accordance with the internal policies and procedures of Collaboration Capital LLC. The Firm has put certain controls in place to mitigate this conflict including use of disclosures, internal policies and procedures to monitor Mr. Knapp’s activities, and the Firm’s Code of Ethics as described below in Item 11.

A. Ronald Lerner, Managing Director of the Firm, is also engaged with Chilton Capital Management, LLC (“Chilton”) as a Managing Director and Senior Advisor. Chilton’s business is investment-related, and such business is located at 1177 West Loop South, Suite 1310, Houston, TX 77027. Mr. Lerner devotes approximately 4 hours per day to Chilton during trading hours, and 2 hours per day during non-trading hours. Mr. Lerner’s duties relating to Chilton Capital Management, LLC are as senior advisor to the firm, primarily for policy matters. Mr. Lerner understands that he owes a fiduciary duty to each client he serves and therefore must serve the interests of clients with a high standard of care and diligence in accordance with the respective internal policies and procedures of Chilton Capital Management, LLC and Collaboration Capital LLC. The Firm has put certain controls in place to mitigate this conflict including use of disclosures, internal policies and procedures to monitor Mr. Lerner’s activities, and the Firm’s Code of Ethics as described below in Item 11.

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

### **Code of Ethics**

The Firm has adopted a Code of Ethics, which holds its employees to a high standard of integrity and business practice, in compliance with applicable U.S. laws and regulations. In serving its Clients, the Firm strives to avoid conflicts of interest or the appearance of conflicts in connection with the securities transactions of the Firm and its employees. The Firm and its personnel owe their Clients a duty of honesty, good faith and fair dealing and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide it.

The Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports and initial and annual securities holdings reports submitted by all of the Firm’s access persons. The Code of Ethics requires the prior approval or prohibition of certain securities transactions. It also contains oversight, enforcement, and recordkeeping provisions. The Firm designed the Code of Ethics to ensure that the personal securities transactions, activities, and interests of its employees will not interfere with (i) making decisions in the best interest of its Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code of Ethics further includes the Firm’s policy prohibiting the use of material non-public information. It informs all employees that such information cannot be used in any capacity. A copy of the Firm’s Code of Ethics is available to its Clients by request to [info@Collaboration.Capital](mailto:info@Collaboration.Capital) or via telephone (346) 319-4783.



## **Participation or Interest in Client Transactions and Personal Trading**

The Firm does not generally engage in principal or cross transactions. However, in accordance with the anti-fraud provisions of the Advisers Act and with the Firm's internal compliance policies and procedures, if the Firm were to engage in principal or cross transactions, the Firm will not without obtaining the consent of the applicable Clients prior to the settlement of such transaction: (i) as principal, sell a security to, or buy a security from, any Client; or (ii) cause its Clients to participate in cross transactions in which the Firm arranges for a Client to buy an asset from, or sell an asset to, another Client. In particular, the Firm will not engage in such transactions without providing appropriate disclosure and obtaining the prior informed consent from the Clients.

## **Potential Conflicts**

The Firm, its affiliates and their respective officers, directors, trustees, stockholders, members, partners and employees and their respective funds and investment accounts (collectively, the "Related Parties") engage in a broad range of activities, including activities for their own account and for the accounts of Clients. This section describes various potential conflicts that can arise in respect of the Related Parties, as well as how we address such conflicts of interest. The discussion below does not describe all conflicts that could arise.

Any of the foregoing potential conflicts of interest will be discussed and resolved on a case by case basis. The Firm's determination as to which factors are relevant, and the resolution of such conflicts, will be made using its best judgment, but in the Firm's sole discretion. In resolving conflicts, the Firm will take into consideration the interests of the relevant Clients, the circumstances giving rise to the conflict and applicable laws. Certain procedures for resolving specific conflicts of interest are set forth below.

## **Material Non-Public Information**

There are generally no ethical screens or information barriers among the Firm and certain affiliates of the type that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. If the Firm, any of its personnel or affiliates were to receive material non-public information about an investment or issuer or have an interest in causing a Client to acquire a particular investment, the Firm could be prevented from causing the Client to purchase or sell such asset due to internal restrictions imposed on the Firm. Notwithstanding the maintenance of certain internal controls relating to the management of material non-public information, it is possible that such controls could fail and result in the Firm, or one of its investment professionals, buying or selling an asset while, at least constructively, in possession of material non-public information. Additionally, while the Firm and certain affiliates generally operate without information barriers on an integrated basis, such entities could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, the Firm's ability to operate as an integrated platform could also be impaired, which would limit the Firm's access to personnel of its affiliates and potentially impair its ability to manage Client investments.

## **Approach to Other Potential Conflicts**

Various parts of this Brochure discuss potential conflicts of interest that arise from the Firm's business model. The Firm discloses these conflicts due to the fiduciary relationship with its Clients. As a fiduciary, the Firm owes its Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that exist



between different Clients; between the Firm and Clients; or between its employees and its Clients. Where potential conflicts arise, the Firm will take steps to mitigate, or at least disclose, them. Conflicts that the Firm cannot avoid (or chose not to avoid) are mitigated through written policies that the Firm believes protect the interests of its Clients as a whole. In these cases - which include issues such as personal trading and Client entertainment - regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules, using robust compliance practices, the Firm believes that it has handled these conflicts appropriately. These interactions are not static; the Firm's business is continually evolving and changes in the Firm's activities can lead to new potential conflicts. The Firm reviews its policies and procedures on an ongoing basis to evaluate their effectiveness and update them as appropriate.

## **Item 12 - Brokerage Practices**

### **Selection of Brokers**

The Firm does not adhere to any rigid formulas in making the selection of broker recommendations but weighs a combination of the criteria discussed in this Item 12. The Firm has not fixed internal brokerage allocation procedures designating specific percentages of brokerage commissions to particular firms. The Firm does not maintain custody of your assets that we manage (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 - Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank.

The Firm generally does not recommend the services of related persons or their affiliates to its Clients. In connection with its determination of whether best execution has been obtained, in addition to net price, the Firm will consider the full range of services available from and the characteristics of each broker-dealer. Such services and characteristics can include, but are not limited to the following:

- execution capabilities,
- responsiveness,
- experience,
- reputation and integrity,
- overall reliability,
- access to market trades,
- research, including the ability to provide useful ideas and market color, either provided by the broker-dealer, or paid for by the broker-dealer (either by direct or reimbursement payments, in whatever form, or by commissions, mark-ups or credits or by any other means ("compensation")) to be provided by others, and
- brokerage and research products and services.

The Firm is not required to (i) obtain the lowest brokerage compensation rates or (ii) combine or arrange orders to obtain the lowest brokerage compensation rates. The Firm is also not required to solicit competitive bids. The Firm does not negotiate "execution only" compensation rates; thus, the Clients could be deemed to be paying for products and services provided by the broker-dealer which are included in the transaction charges. Additionally, some products and services could be unusable by certain Clients even though their compensation dollars (or other transaction charges) provided for the products and services. If required, the Firm determines in good faith that the



amount of compensation charged by a broker-dealer is reasonable in relation to the value of the brokerage and research products or services provided by such broker-dealer. Affiliation with the Firm or its related persons is not a factor allowed to be considered in such recommendations.

### **Brokerage Practices**

As a general rule, the Firm receives discretionary investment authority from its Clients at the outset of an advisory relationship. Depending on the terms of the applicable investment management agreement, the Firm's authority includes the ability to select broker-dealers through which to execute transactions on behalf of its Clients, and to negotiate the commission rates, if any, at which transactions are effected. In making decisions as to which securities are to be bought or sold and the amounts thereof, the Firm is guided by the mandate selected by the Client and any Client-imposed guidelines or restrictions. Unless the Firm and the Client have entered into a non-discretionary arrangement, the Firm generally is not required to provide notice to, consult with, or seek the consent of its Clients prior to engaging in transactions.

### **Research and Other Soft Dollar Benefits**

The term "soft dollars" refers to the receipt by the Firm of research and brokerage products and services provided by brokers without any cash payment by the Firm, based on the volume of revenues generated from brokerage commissions for transactions executed for clients' accounts.

Some broker-dealers can provide the Firm with proprietary or third-party research and/or other products or services, which the Firm can use to service some or all of its Clients. Currently, the Firm does not have any third-party soft dollar arrangements in place, but it does receive proprietary research from broker-dealers from time to time.

In circumstances where more than one broker-dealer is able to satisfy the Firm's best execution obligation, the Firm can place a trade order on behalf of one or more clients' accounts with a broker-dealer that charges more than the lowest available commission cost or price. The Firm can do this in exchange for certain brokerage and research services provided either directly from the broker-dealer or through a third party ("Soft Dollar Arrangements"), provided that each of the following is met:

The Firm determines:

- i. The research or brokerage product or service constitutes an eligible brokerage or research service;
- ii. The product or service provides lawful and appropriate assistance in the performance of the Firm's investment decision making responsibilities; and
- iii. In good faith the amount of Client commissions paid is reasonable in light of the value of the products or services provided.

The brokerage or research is "provided by" a broker-dealer who participates in effecting the trade that generates the commission. The Firm cannot incur a direct obligation for research with a third-party vendor and then arrange to have a broker-dealer pay for that research in exchange for brokerage commissions.

The Firm can only generate soft dollars with commissions in agency transactions. The Firm cannot use dealer mark-ups in principal transactions to generate soft dollars. In addition, a trade for a fixed income security or over-the-



counter (“OTC”) security can be done on an agency basis only if the trader determines that it would not result in a broker-dealer unnecessarily being inserted between the Firm and the market for that security.

No soft dollars are generated on accounts for which:

- i. Investment discretion resides with the Client (i.e. non-discretionary accounts);
- ii. Client mandates restrict or prohibit the generation of soft dollar commissions; or
- iii. The Client has a directed brokerage arrangement.

The brokerage trade placed is for “securities” transactions (and not, for example, futures transactions).

Using “soft dollars” to obtain investment research and/or related services creates a potential conflict of interest between the Firm and its Clients’ accounts, because the “soft dollars” can be used to acquire such products and services that are not exclusively for the benefit of the Client accounts that paid such commissions and that primarily benefit the Firm. To the extent that the Firm is able to acquire these products and services without expending the Firm resources (including management fees paid by Client accounts), the Firm’s use of “soft dollars” would tend to increase its profitability. Furthermore, the Firm has an incentive to select or recommend brokers based on its interest in receiving research or other products or services, rather than on its Clients’ interest in receiving most favorable execution. The Firm can cause Clients to pay commissions (or mark-ups or mark-downs) higher than those charged by other brokers in return for soft dollar benefits. The Firm does not, however, negotiate higher rates on fees and expenses to be paid by Clients in exchange for lower rates on fees and expenses to be paid by the Firm.

Research services furnished by brokers through whom the Firm effects securities transactions can be used in servicing all of the Firm’s Clients’ accounts, and not all such services can be used in connection with the accounts which paid commissions to the broker providing such services. The Firm seeks to allocate soft dollar benefits among Client accounts in a fair and equitable manner under the circumstances, but there can be no assurance that it will be successful in this regard.

Section 28(e) of the Exchange Act provides a safe harbor to advisers who use soft dollars generated by Client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Firm in the performance of investment decision-making responsibilities. The Firm intends that any soft dollars that it receives in connection with Client-related matters would be within the limitations set forth in Section 28(e) of the Exchange Act. Examples of eligible services and products include independent stock research, economic research, research in specific industry sectors, real time feeds, newswires, strategic analysis, and back office systems.

#### **For Clients Using Charles Schwab & Co, Inc. as Their Qualified Custodian**

For some clients, the Firm recommends the use of Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. The Firm is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when the Firm instructs them to. While we can recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.



## **Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates and asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain \$10,000,000.00 of our clients' assets statement equity in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be if we had not made the commitment. In addition to commissions Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

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

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

*Services That Benefit You.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Services That May Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

*Services That Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;



- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

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

### **For Clients Using Fidelity Brokerage Services, LLC as Their Custodian**

The Firm also has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides the Firm with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like the Firm in conducting business and in serving the best interests of their clients but that benefit the Firm. The Firm is not affiliated with Fidelity. Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables the Firm to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to the Firm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by the Firm (within specified parameters). These research and brokerage services are used by Adviser to manage accounts for which the Firm has investment discretion. The Firm also receives additional services, which include services that do not directly benefit clients. As a result of receiving these services for no additional cost, the Firm has an incentive to continue to use or expand the use of Fidelity's services, which creates a conflict of interest.

### **Brokerage for Client Referrals**

In selecting or recommending brokers, the Firm does not consider whether it or its Related Persons receive Client or investor referrals from such brokers.

### **Directed Brokerage**

The Firm does not routinely recommend, request or require that a Client direct the Firm to execute transactions through a specified broker-dealer. In situations where a Client has directed the Firm to place trades with a particular broker-dealer, the Firm could be unable to seek the best price, volume discounts or best execution by placing transactions with other broker-dealers. Additionally, as a result of directing the Firm to place trades with a particular broker-dealer, a disparity in commission charges could exist between the commissions charged to Clients who direct the Firm to use a particular broker-dealer and those Clients who do not direct the Firm to use a particular broker-dealer as well as a disparity among the brokers to which different Clients have directed trades.





## **Allocations of Investment Opportunities, Transaction Aggregation and Allocation**

The Firm has adopted policies and procedures such that in the event there is a security of limited supply for which all eligible Clients cannot receive an allocation, such allocations will be systematically allocated on a basis that is fair and equitable. When possible, all trades made on the same day for the same securities will be aggregated.

### **Aggregation of Orders**

In some circumstances, the Firm will seek to buy or sell the same securities on the same day contemporaneously for multiple Client accounts. The Firm will, when deemed appropriate, aggregate securities trades for a Client with trades for other Clients in the same security and the same day. In particular, the Firm can determine not to aggregate transactions that relate to portfolio management decisions that are made independently for different accounts or if the Firm determines that aggregation is not practicable, not required or inconsistent with Client direction. When aggregated transactions are executed, the participating accounts will receive the same average price.

From time to time, aggregation will not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all Client accounts seeking the investment opportunity or a Client could be limited in, or precluded from, participating in an aggregated trade as a result of that Client's specific brokerage arrangements. Also, an issuer in which Clients wish to invest could have threshold limitations or aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions, which could have the effect of limiting the potential size of the investment opportunity and thus the ability of the applicable Client to participate in the opportunity.

There are instances when circumstances specific to individual Clients will limit the Firm's ability to aggregate or allocate trades. For example, if a Client requests directed brokerage, the Firm could be unable to aggregate or allocate these trades. Additionally, as stated above, there could be times when there is limited supply or demand for a particular security or investment. In such instances a Client could be unable to realize the efficiencies which might exist for larger transactions. In some cases, trade aggregation and/or allocation could adversely affect the price paid or received by an account or the size of the position obtained or liquidated for an account, which could cause performance divergence from similar accounts. In other cases, an account's ability to participate in volume transactions could produce better executions and prices for the account. The Firm can adjust allocations to eliminate fractional shares or odd lots, or to account for minimum trade size requirements and has the discretion to deviate from its allocation procedures in certain circumstances.

### **Allocation of Investment Opportunities**

The Firm acts as investment adviser or sub-adviser to Clients that have similar investment objectives and pursue similar strategies. Certain investments identified by the Firm will be appropriate for multiple Clients. Investment decisions for such Clients are made by the Firm in their best judgment, but in their discretion, taking into account such factors as they believe relevant. Such factors include investment objectives, regulatory restrictions, current holdings, availability of cash for investment, the size of investments generally, risk-return considerations, tax consequences, and limitations and restrictions on a Client's account that are imposed by such Clients. Additionally, if it is fair and reasonable that certain Clients are fully filled of their appetite before others (e.g., for tax considerations, to avoid de minimis partial allocations, to cover or close out an existing position to mitigate risk or losses, etc.), then these Clients can receive full or disproportionate allocations, with the remaining amounts





allocated in accordance with normal procedures among the other participating Clients. One or more of the foregoing considerations in this paragraph can (and are often expected to) result in allocations among accounts other than on a pari passu basis. Accordingly, particular investments can be bought or sold for only one Client or in different amounts and at different times for more than one but less than all Clients, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment can be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment can be made for two or more Clients on the same date. There can be no assurance that a Client will not receive less (or more) of a certain investment than it would otherwise receive if the Firm did not have a conflict of interest among Clients.

In effecting transactions, it is not always possible, or consistent with the investment objectives of the Firm's various Clients, to take or liquidate the same investment positions at the same time or at the same prices. Certain investment restrictions could limit the Firm's ability to act for a Client and potentially reduce performance. Regulatory and legal restrictions (including restrictions on aggregated positions) can also restrict the investment activities of the Firm and result in reduced performance.

The Firm seeks to manage and/or mitigate these potential conflicts of interest described by following procedures with respect to the allocation of investment opportunities for its Clients, including the allocation of limited investment opportunities. The Firm's allocation policy is based on a fundamental desire to treat each Client account fairly over time.

It is the Firm's general policy is to allocate investments among the accounts of its Clients in a manner which it believes to be fair and equitable. Allocations of investment opportunities will not be based on any of the following, or similar, reasons: (i) to generate higher fees paid by one account over another, or to produce greater fees to the Firm; (ii) to develop a relationship with a Client or prospective Client; or (iii) to compensate a Client for past services or benefits rendered to the company or any employee of the Firm or to induce future services or benefits to be rendered to the Firm or any employee of the Firm.

The Firm's policy, where an opportunity to purchase or sell an investment is appropriate for more than one Client, is to aggregate Client orders when doing so is likely to result in a better overall price or reduced cost for the Client trade. Consistent with its fiduciary duties, the Firm allocates trades to its Clients on an equitable basis as set forth in this policy. Each Client who participates in an aggregated order participates at the average price with all transaction costs shared on a pro rata basis pursuant to these written procedures.

As stated above, in determining how an investment opportunity is allocated, the Firm will take into account the following considerations: (i) the size, nature and type of investment or sale opportunity; (ii) the investment guidelines and restrictions of the Client; (iii) regulatory and contractual requirements; (iv) pre-determined tactical plan(s) of a Client or Clients and corresponding capital commitments; (v) the cash position of the Client; (vi) liquidity needs/constraints of the Client; (vii) asset/liability management; (viii) minimum trade denominations; (ix) a determination by the portfolio manager that the investment or sale opportunity is inappropriate, in whole or in part, for one or more Clients; (x) restrictions under ERISA or other applicable regulations; (xi) tax issues; (xii) the size of a Client's account; (xiii) Client risk tolerance; and (xiv) such other factors as the portfolio manager deems relevant.



If all investment orders placed for Client accounts cannot be fully executed under prevailing market conditions, then the securities traded should be allocated among Client accounts in a manner the Firm deems to be equitable, taking into account the size of the order placed for each account and any other relevant factors.

Client directed, or other restrictions can affect the allocation of an order. If a Client directed restriction is placed on a particular security or group of securities, the order will be allocated to the other participating accounts as described above.

The Firm formulates written allocation plans in the form of order memoranda based on the investment guidelines, current exposure levels of each Client and other factors set forth above across the various Client accounts, including any ERISA Accounts. When a new investment is being made, the Firm allocates investment opportunities among those Clients based upon the percentages determined by the plan.

### **Capital Structure Conflicts**

Conflicts will arise in cases when Clients of the Firm invest in different parts of an issuer's capital structure, including circumstances in which one or more Clients own private securities or obligations of an issuer and other Clients own public securities of the same issuer. Additionally, one or more Clients could invest in securities, or other financial instruments, of an issuer that are senior or junior to securities, or financial instruments, of the same issuer that are held by or acquired for, one or more other Clients. If such issuer encounters financial problems, decisions related to such securities (such as over the terms of any workout or proposed waivers and amendments to debt covenants) will raise conflicts of interests. For example, a Client holding debt securities of the issuer could be better served by a liquidation of the issuer in which it is to be paid in full, whereas a Client holding equity securities of the issuer could prefer a reorganization that holds the potential to create value for the equity holders.

In the event of conflicting interests within an issuer's capital structure, the Firm will generally pursue the strategy that it believes will maximize value for Client accounts overall (without regard to the nature of the accounts involved or fees received from such accounts). The Firm can use external counsel for guidance and assistance.

### **Position Conflicts**

Another type of conflict can arise if the Firm causes one Client to buy a security and another Client to sell or short the same security. Currently, such opposing positions are not permitted within the same account or within any accounts managed by the same portfolio manager without prior trade approval by the Chief Compliance Officer. Additionally, transactions in investments by one or more affiliated Client accounts can have the potential effect of diluting or otherwise disadvantaging the values, prices or investment strategies of other Client accounts.

Generally, the Firm does not purchase, sell or hold securities on behalf of Clients contrary to the current recommendations made to other affiliated Client accounts. However, because certain Client accounts can have investment objectives, strategies, or legal, contractual, tax or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), the Firm can purchase, sell or continue to hold securities for certain Client accounts contrary to other recommendations. Additionally, the Firm can be permitted to sell securities or instruments short for certain Client accounts and cannot be permitted to do so for other affiliated Client accounts.



## **Valuation**

The Firm can have a role in determining asset values with respect to Client accounts and could be required to price an asset when a market price is unavailable or unreliable. This gives rise to a conflict of interest because the Firm can be paid an asset-based fee on certain Client accounts. In order to mitigate these conflicts, the Firm determines asset values in accordance with valuation procedures, which are set forth in the Firm's Compliance Manual.

## **Material Non-Public Information**

Certain Related Parties can receive or create information (e.g., proprietary technical models) that is not generally available to the public. The Firm has no obligation to provide such information to Clients or effect transactions for Clients on the basis of such information and in many cases the Firm will be prohibited from trading for the same Clients based on the information. Similarly, some Clients can have access to information regarding Related Parties' transactions or views that is not available to other Clients and could act on that information through accounts managed by persons other than Related Parties. Such transactions can negatively impact other Clients (e.g., through market movements or decreasing availability or liquidity of securities). Please see Item 11 above for more information on the Firm's policies and procedures with respect to the receipt of material non-public information.

## **The Firm's Third-Party Relationships**

The Firm can advise third-parties regarding valuation, risk management, transition management and potential restructuring or disposition activities in connection with proprietary or Client investments, which could create an incentive to purchase securities or other assets from those third parties or engage in related activities to bid down the price of such assets, which could have an adverse effect on a Client. The Firm will work with pension or other institutional investment consultants and such consultants could also provide services to the Firm. Consultants could provide brokerage execution services to Related Parties and Related Parties could attend conferences sponsored by consultants. The Firm could also be hired to provide investment management or other services to a pension or other institutional investment consultant that works with a Client, which can create conflicts.

Related Parties can in-source or out-source to third parties certain processes or functions, which could give rise to conflicts. There could be conflicts when negotiating with third-party service providers if Related Parties bear operational expenses of various Clients to the extent that a given fee structure would tend to place more expense on Clients for which Related Parties have a greater entitlement to reimbursement or less expense on Clients for which Related Parties have lesser (or no) entitlement to reimbursement. Related Parties could provide information about a Client's portfolio positions to unrelated third parties to provide additional market analysis and research to Related Parties and they could use such analysis to provide investment advice to other Clients.

Related Parties could purchase information (such as periodicals, conference participation, papers, surveys) from professional consultant firms, and such firms have an incentive to give favorable evaluations of Related Parties to their Clients.

In selecting broker-dealers that provide research or other products or services that are paid with soft dollars, conflicts could arise between the Firm and a Client because the Firm could be unable to produce or pay for these benefits but instead use brokerage commissions generated by Client transactions. Soft dollar arrangements could also give the Firm an incentive to select a broker-dealer based on a factor other than the Firm's interest in receiving



the most favorable execution. Conflicts of interest related to soft dollar relationships with brokerage firms could be particularly influential to the extent that the Firm uses soft dollars to pay expenses it might otherwise be required to pay itself. Furthermore, research or brokerage services obtained using soft dollars or that are bundled with trade execution, clearing, settlement or other services provided by a broker-dealer can be used in such a way that disproportionately benefits one Client over another (e.g., economics of scale or price discounts). For example, research or brokerage services paid for through one Client's commission could be unusable in managing that Client's account. Additionally, where a research product or brokerage service has a mixed-use, determining the appropriate allocation of the product or service could create conflicts. See Item 12- Brokerage Practices of this Brochure for information regarding the Firms' use of soft dollars.

Conflicts could arise where the Firm has the responsibility and authority to vote proxies on behalf of its Clients. Please refer to Item 17 - Voting Client Securities of this Brochure for information regarding the policies and procedures governing the Firms' proxy voting activities.

Related Parties could serve on the boards of directors and/or investment committees of external organizations, including those organizations that are currently or could become Clients of Related Parties, and such service could present conflicts of interest to the extent the employee become aware of material non-public information and could be unable to initiate some transactions for other Clients while in possession of that information.

The Firm could conduct business with institutions such as broker-dealers or investment banks that invest, or whose clients invest, in pooled vehicles sponsored or advised by the Firm, or provide other consideration to such institutions or recognized agents, and as a result the Firm could have a conflict of interest in placing its brokerage transactions.

Related Parties could receive stock options from companies, the securities of which could be held in accounts of Related Parties' Clients, in exchange for providing consulting work, including but not limited to, advisory services and financial services, for those companies.

### **Principal Trading/Cross Trades**

Currently, the Firm does not perform principal or cross trades.

### **Security Valuation**

Equity securities are generally valued on the basis of market quotations. Fixed-income securities are generally valued in accordance with an evaluated bid price supplied by a pricing service. The evaluated bid price supplied by the pricing service is an evaluation that reflects such factors as security prices, yields, maturities, and ratings. Certain short-term instruments maturing within 60 days or less are valued at amortized cost, which approximates market value. If a market quotation or evaluated price is not readily available or is deemed unreliable, or if an event that is expected to affect the value of a portfolio security occurs after the close of the principal exchange or market on which that security is traded, and before the close of the New York Stock Exchange, the fair value of a security will be determined in good faith under policies and procedures established by the Firm. Although the Firm is not generally the pricing agent for its Clients, the Firm, in certain cases and upon request, can provide a fair value price to a Client's pricing agent, solely for informational purposes, for a security in cases where market quotations or evaluated prices are not readily available or deemed unreliable due to significant events or other factors. In these instances, the Client's pricing agent makes the ultimate determination of the security's value. Because the Firm is compensated based on the value of assets held in an account or based on the performance of the account, the Firm has a potential incentive to set a high valuation for a security; however, the Firm does not



intend to use valuations that are higher than fair value. The Firm believes that this potential conflict can be mitigated by its valuation policy and procedures.

There can be differences in prices for the same security held by the Firm's Clients because its provided price (for the situations described above) could be rejected by the relevant pricing agent. Additionally, certain Clients, such as an Open-End Fund mutual fund, could utilize a third-party valuation model to value equity securities of non-U.S. issuers to adjust for stale pricing which can occur between the close of the non-U.S. exchanges and the New York Stock Exchange. These pricing models could be unused by the relevant pricing agent. Benchmark indexes generally do not use fair value pricing and use national and regional indices to value securities using unadjusted closing prices in local markets. Additionally, the value of assets denominated in non-U.S. currencies is converted into U.S. dollars using exchange rates deemed appropriate by the Firm, which can also vary from the exchange rates used for calculation on any given index.

## **Company Errors**

Trade errors can occur either in the investment decision-making process (e.g., a purchase of a security or an amount of security that violates a Client's investment restrictions) or in the trading process (e.g., a buy order executed as a sell, the purchase or sale of a security other than what was intended or trading an incorrect quantity of securities). Internal or clerical mistakes that affect the investment or trading process and have a financial impact to a Client will also be treated as trade errors.

A "trade error" will generally be defined as a transaction that is executed in a manner that was not intentional and results in a corrective action being taken. Any mistakes that do not affect the investment decision-making or trading process or cause a violation of a Client's investment policies or restrictions, and do not cause gain or loss to the Client, will not be treated as trade errors.

The Firm's traders will be responsible for notifying the Chief Compliance Officer promptly of the circumstances of any trade error. Traders will discuss any action taken to correct a trade error (e.g. selling a security in the open market) and/ or any other corrective action with the Chief Compliance Officer prior to its implementation as to whether such action is appropriate.

If a third party creates the error, the Firm will look to the third party to take corrective action. Broker-dealers can be held responsible for a portion of any loss resulting from a trade error if actions of such broker-dealer contributed to the error or the loss. The Firm will require broker-dealers to assist in rectifying a trade error on favorable terms if their actions or inactions contributed to the error or the resulting loss. A broker could absorb the loss from a trade error caused by the broker. The Firm will not direct brokerage commissions to brokers, or enter into other reciprocal arrangements with brokers, in order to induce a broker to absorb a loss from a trading error caused by the Firm. No soft-dollars can be used to satisfy any trade errors. Additionally, the Firm cannot use the securities in one Client's account to settle the trade error in another Client's account.

## **Allocation of Investment Opportunities in Private Funds**

The Firm, from time to time, recommends investments in Private Funds to certain clients. Such investments are usually available only to a limited number of sophisticated investors that meet the definitions of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and/or "qualified client" under the Investment Advisers Act of 1940. Additionally, Private Funds are considered "limited offerings", since they only accept a limited amount of funds for investment.



When determining which clients should receive a recommendation to invest in a Private Fund, the Firm considers a number of factors, including but not limited to a client's sophistication and qualification, investment objectives, risk levels, along with the amount of available cash in a client's accounts. The Firm strives to allocate in a fair and balanced manner; however, given these differing factors and the fact that Private Funds are limited offerings, the allocation of investment opportunities in Private Funds to the Firm clients is subjective and not all qualifying clients will be provided an investment opportunity.

Additionally, there are times when the Firm's Associated Persons invest in certain Private Funds that are recommended to clients. When this occurs, a conflict exists, which is addressed by requiring the Associated Person to obtain written approval from the CCO prior to investing.

It is important that qualifying clients receiving a recommendation to invest in a Private Fund read the offering or private placement memorandum prior to investing to fully understand the risks and conflicts pertaining to the Private Fund investment.

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

### **Frequency and Nature of Review of Client Funds**

#### **Account Review of Accounts**

The Investment Committee has the responsibility to exercise and maintain prudent supervision and control of the Client's investments and portfolios. The Investment Committee continuously reviews and ensures the investment policies, guidelines, and objectives for each Client's general investment strategy are achieved and attained per the Client's investment policies, guidelines, and objectives as stated in the Client's governing documents. The Investment Committee maintains prudence and effectiveness of each investment of the Client and formulates and oversees the investment policies and management of the Client's assets, and periodically reviews investment strategies and investment performance. In carrying out its duties, the Investment Committee provides recommendations on investment opportunities through a stringent due diligence process to identify investment opportunities that meet the Client's stated investment objective and goals; reviews individual investment performance and recommends changes when appropriate; and works closely with staff to ensure that the investment objectives are being met as stated in the Client's governing documents. In monitoring the Client's portfolio of investments, the Investment Committee ensures (i) the management of investments and capital actions are in compliance and consistent with attainment of the Client's investment policy, financial objectives and strategy goals, and (ii) the Client's portfolio is in compliance with legal and regulatory requirements. In addition to, and not as a substitute for the foregoing, additional reviews are conducted in accordance with Client requests as set forth in the relevant investment management agreement.

The Investment Committee meets frequently, if not daily, by meeting in person, telephone conference, or other interactive electronic communication to discuss market conditions, portfolio analysis, and investment transaction matters.

#### **Nature and Frequency of Reporting**

The frequency and nature of reports prepared for Clients varies depending on each Client's requirements and interests. The Firm provides and could in the future provide certain information and documentation to certain Clients that are not distributed or otherwise made available to other Clients. Clients generally receive monthly or



quarterly written reports showing portfolio activities and performance on a current and year-to-date basis. These written reports typically disclose all holdings in the Client's account, including cash, together with cumulative year-to-date information about dividends and interest realized by the account. The Firm will also provide Clients, upon request, other information regarding their portfolio within the parameters of its compliance policies. Face-to-face meetings or teleconferences are held at least annually with each Client. Clients can request a meeting with the Firm at any time.

With respect to the Separate Accounts, the qualified custodian generally provides each advisory Client, on at least a quarterly basis, an account statement identifying the amount of the funds and securities in the Clients' account(s) and any transactions in the Clients' account(s) during the applicable calendar quarter. Clients are urged to compare any account statements that they receive from the Firm with the account statements that they receive from their qualified custodians.

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

Neither the Firm nor its related persons directly or indirectly compensate any person who is not a supervised person for investor or Client referrals. The Firm does not provide compensation to non-supervised persons for the purpose of obtaining Clients.

It is the Firm's policy not to accept or allow its related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-Client in conjunction with the advisory services it provides to its Clients.

## **Item 15 - Custody**

To the extent required by law, all Client securities and cash are held by qualified custodians. Custodians provide account statements directly to the Clients on at least a quarterly basis.

Separate Account Clients will receive account statements from their broker-dealer, bank, or qualified custodian and should carefully review those statements. Separate Accounts Clients should carefully review those statements and, to the extent the Firm also delivers statements to such Clients, compare the Firm statement to the statements of the qualified custodian. For tax and other purposes, the custodial statement is the official record of a Separate Account Client's account and assets. Statements received from the Firm can vary from the custodial statements based on accounting procedures, reporting dates or valuation methodologies for certain securities. See Item 13 - Review of Accounts of this Brochure for more information about the Firm's account statements.

Pursuant to Rule 206(4)-2 of the Advisers Act, The Firm is deemed to have custody of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving advisory services from us. In addition, we have certain clients that have signed a Standing Letter of Authorization (SLOA) that gives Collaboration Capital the authority to transfer funds to a third-party as directed by the client in the SLOA. This activity also gives the Firm custody. Firms with custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the





client's account during the period covered and reflect the deduction of advisory fees; and

4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts Collaboration Capital from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, Collaboration Capital must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, Collaboration Capital must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

## **Item 16 - Investment Discretion**

As a general rule, the Firm receives discretionary investment authority from its Clients at the outset of an advisory relationship. Depending on the terms of the applicable investment management agreement, the Firm's authority can include the ability to select broker-dealers through which to execute transactions on behalf of its Clients, and to negotiate the commission rates, if any, at which transactions are affected. The Firm also has the authority to enter into International Swap and Derivatives Association ("ISDA"), repurchase clearing, trading brokerage, margin future, options, or other types of agreements on behalf of the Firm's Clients. In making decisions as to which securities are to be bought or sold and the amounts thereof, the Firm is guided by the mandate selected by the Client and any Client-imposed guidelines or restrictions. Unless the Firm and the Client have entered into a non-discretionary arrangement, the Firm generally is not required to provide notice to, consult with, or seek the consent of its Clients prior to engaging in transactions. See Item 4 - Advisory Business of this Brochure for additional information on Clients' ability to tailor investment guidelines. See Item 12 - Brokerage Practices of this Brochure for more information.

## **Item 17 - Voting Client Securities**

In cases where Collaboration Capital is responsible to vote proxies on securities held in a client's account, we have adopted policies and procedures in an effort to ensure that all votes are cast in the best interests of our clients and that the proper documentation is maintained relating to how the proxies were voted. These policies and procedures are summarized as follows:

The Firm utilizes the service of a non-affiliated third-party proxy voting vendor ("Proxy Vendor") to vote proxies on behalf clients. Collaboration Capital has adopted predetermined proxy voting guidelines (the "Guidelines") to make every effort to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. In addition, our policy allows us to vote a proxy contrary to our Guidelines if we determine that such action is in the best interests of clients. In cases where sole proxy voting authority rests with the Firm for plans governed by ERISA, proxies for such accounts will be voted in accordance with the Guidelines unless outlined otherwise in the plan's governing documents and subject to the fiduciary responsibility standards of ERISA. If at any time, Collaboration Capital or the Proxy Vendor becomes aware of any type of potential or actual conflict of interest





relating to a proxy proposal, such potential or actual conflict will be promptly reported to the Chief Compliance Officer. Conflicts will be handled in a number of ways depending on the type and materiality. The method selected by us will depend upon the facts and circumstances of each situation and the requirements of applicable laws and will always be handled in the Client(s) best interest. Our policy also allows us to choose not to vote proxies in certain situations or for certain accounts. For example, where a Client has retained the right to vote the proxies or where a proxy is received for a Client account that has been terminated. A complete copy of our current Proxy Voting Policies & Procedures is available upon request. Clients can obtain information on how their proxies were voted by contacting us at (346) 319-4783 or by email at [info@collaboration.capital](mailto:info@collaboration.capital).

Collaboration Capital typically does not advise on bankruptcies and class actions, for the securities held in clients' accounts.

### **Conflicts of Interest**

The Firm's Chief Compliance Officer is responsible for monitoring and resolving possible material conflicts with respect to proxy voting. Because the Guidelines are pre-determined and designed to be in the best interests of shareholders, application of the Guidelines to vote Client proxies should, in most cases, adequately address any possible conflicts of interest. Additionally, and in instances where a portfolio manager has discretion to vote differently than the Guidelines and proposes to vote a proxy inconsistent with the Guidelines and potential conflict of interest is identified, the Chief Compliance Officer reviews such proxy votes to determine whether the portfolio manager's voting rationale appears reasonable and no material conflict exists. A conflict of interest exists, for example, if the Firm has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. In addition, any portfolio manager with knowledge of a personal conflict of interest (i.e., a family member in a company's management) relating to a particular referral item shall disclose that conflict to the Chief Compliance Officer and will be required to recuse himself or herself from the proxy voting process. Issues raising possible conflicts of interest should be referred to the Chief Compliance Officer for resolution. If the Chief Compliance Officer does not agree that the portfolio manager's rationale is reasonable, the Chief Compliance Officer will refer the matter to the Investment Committee to vote the proxy. If a matter is referred to the Investment Committee the decision made and basis for the decision will be documented by the Chief Compliance Officer.

### **Item 18 - Financial Information**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to include a balance sheet for its most recent fiscal year. Additionally, the Firm is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.

