

## **Item 1. Cover Page**

### **Form ADV, Part 2A DISCLOSURE BROCHURE**

**March 25, 2019**

**Colter Lewis Investment Partners LLC  
22 West Putnam Avenue  
Second Floor  
Greenwich, CT  
203-987-3090**

*This brochure provides information about the qualifications and business practices of Colter Lewis Investment Partners LLC. If you have any questions about the contents of this brochure, please contact us at 203-987-3090. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.*

*Colter Lewis is registered as an investment adviser with the SEC. Registration with the SEC simply means that Colter Lewis is authorized to provide investment advisory services and does not imply a certain level of skill or training.*

*Additional information about Colter Lewis is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2. Material Changes**

There are no material changes to our Brochure since our original filing in June 2018.

You may request a copy of our current Brochure at any time, which will be provided to you free of charge. If you would like to request a copy of our current Brochure, please contact the Compliance Department at the number listed on the cover page of this Brochure.

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## **Item 4. Advisory Business**

### **A. The Firm and Principal Owners**

Colter Lewis Investment Partners LLC (“Colter Lewis” or the “Firm”) provides investment advisory services primarily to ultra-high net worth individuals and families, (collectively, “Separately Managed Accounts”), family offices, and as described below, pooled investment vehicles. The Firm was founded in 2018. The principal owners of the Firm are Perry Hoffmeister and Jeffrey Weiss. Mr. Hoffmeister and Mr. Weiss each own 50% of the Firm.

### **B. Types of Services Offered**

We provide investment management services to clients both on a discretionary and non-discretionary basis.

For Separately Managed Accounts, we construct diversified portfolios comprised of the major asset classes (e.g. equities, fixed income products, commodities (in the form of exchange traded funds or Third Party Funds), hedge funds, private capital funds, other alternative investments, real estate investments and cash equivalents) for clients utilizing an active asset allocation approach.

From time to time, we may form pooled investment vehicles (“Funds”) when we have identified a particular investment, which may include, among others, operating companies and real estate investments.

The actual investment strategies and processes employed by the Firm, as well as associated risks are discussed in detail in Item 8 below.

### **C. Level of Service Offered**

For Separately Managed Accounts, we provide discretionary investment management services (“Discretionary Mandates”), and advisory services where the client makes the final investment decision (“Advisory Mandates”). In both cases, we create an investment profile for the client that defines the client’s objectives and risk profile. Based upon the investment profile, we construct a customized portfolio as described above. Furthermore, clients may impose restrictions on investing in certain securities or types of securities.

In the case of a Discretionary Mandate client, we implement and manage the portfolio based upon the client's objectives. For Advisory Mandate clients, we provide the client with proposed portfolios and the client makes the investment decisions. We also monitor the portfolio and make recommendations to modify the portfolio if required.

### **D. Portfolio Management Services to Wrap Fee Programs**

We do not provide portfolio management services to wrap fee programs.

### **E. Assets Under Management**

As of March 25, 2019, the Firm managed approximately \$143,700,000 in client assets, of which approximately \$132,700,000 is managed on a discretionary basis and \$11,000,000 on a non-discretionary basis.

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

### **A. Fees and Compensation**

#### **Management Fee**

Our fees for providing investment advisory services are generally based on a percentage of assets under management. Fees for Discretionary Mandates and Advisory Mandates will range from 0.25% to 1.50%. Fees will be determined based on complexity, size and other factors related to the portfolio and particular client. In certain limited situations, clients will be charged fixed fees. Fees are negotiable, at our discretion, on a case-by-case basis.

For the Funds we may advise in the future, we will charge a management fee of between 0% and 2.0% depending on the complexity and management time required to create and oversee the Fund. This fee will be in addition to the management fee referenced above. Because there are additional management fees earned by us for directing client funds into one of the Funds we advise, there exists a conflict in that we are incentivized to direct client investments in such a manner, rather than to a Third Party Fund. We address this conflict by analyzing the suitability of an investment for clients without any regard whatsoever to whether we may earn additional compensation for the transaction by directing it to a particular investment.

#### **Method of Payment**

One fourth of the annual management fee is paid quarterly in advance or in arrears as agreed upon with the individual client. Fees are calculated as set forth in each client advisory agreement. Fees are deducted from the assets in client accounts or, in certain cases invoiced to the clients.

#### **Performance Fees**

The Firm, or an affiliate of the Firm or its Managing Members may charge a performance fee based on certain agreed upon performance metrics of the Funds. Information regarding such fees, including the payment terms, is outlined in the investment management agreements and organization documents executed with the Funds.

#### **Other Fees and Expenses**

Fees Charged to Clients in Addition to the Fees Listed Above:

1. Brokerage Commissions and Other Transaction and Third Party Fees: Unless agreed otherwise, clients will pay all brokerage commissions, custodial fees and service charges, stock transfer fees and other similar charges incurred in connection with transactions for the client's account. In addition, the client may be subject to:
  - a. Wire transfer and electronic fund fees;
  - b. Fees for odd-lot differentials;
  - c. Retirement plan fees, as applicable;
  - d. Other fees and taxes related to brokerage accounts; and
  - e. Other charges required by law.

These charges will generally be paid out of the client's assets held with the custodian and are in addition to the investment advisory fee paid to us.

For investments in mutual funds and exchange traded funds, clients may incur additional charges imposed by third-parties, including, but not limited to, the following:

- a. Mutual fund sales fees and sub transfer fees;
  - b. Internal management fees and administrative expenses for mutual funds and exchange traded funds that are disclosed in the fund prospectus; and
  - c. Mutual fund transaction fees and mutual fund short term redemption fees, if applicable.
2. Third Party Fund Investments: Clients invested in third party managed pooled investment vehicles ("Third Party Funds") can expect to be charged management fees, performance fees and certain administrative expenses by the Third Party Fund manager. All of these fees are in addition to the fees disclosed above. Fund management fees charged by Third Party Fund managers generally range from 0.5% to 3% annually. Depending on the terms of each Third Party Fund, performance fees typically range from 5% to 25% of the annual net profits, subject to certain limitations. All fees and administrative expenses are disclosed in the offering documents that clients receive for each Third Party Fund. In addition, each Third Party Fund requires clients to meet specific qualifications in order to invest.

## **B. Prepayment of Fees**

We do not collect fees in advance.

## **C. Other Compensation**

We and our supervised persons do not accept any compensation for the sale of securities or other investment products.

## **Item 6. Performance-Based Fees**

As discussed above, the Firm or a related party may charge performance fees based on agreed upon performance metrics of the Funds we may advise in the future.

### Conflicts

The fact that the Firm or a related party is compensated based on the performance of certain Firm investments may create an incentive for the Firm to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, Separately Managed Account clients of the Firm may be solicited to invest in such Funds and the Firm may be incentivized to direct those clients to the Fund investments because of the more attractive fee structure, when a less risky investment may be available.

### Conflict Mitigation

1. Colter Lewis discloses to all clients the potential conflicts described above.
2. Colter Lewis's portfolio managers are mindful of the investment objectives of client accounts and will monitor compliance with investment and risk management guidelines implemented by the Firm.
3. Colter Lewis has adopted policies and procedures that require employees to act in the best interests of clients at all times.

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

We provide investment advisory services to ultra-high net worth and high net worth individuals and families, family offices as well as the Funds. Our normal minimum account size is \$25mm. At the discretion of our Managing Members, the minimum account size may be waived.



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

### **A. Methods of Analysis and Investment Strategies**

Our investment strategies and decisions are rooted in the principle of risk and return. We seek investments which present an attractive return for a given level of risk. Our portfolios typically include capital preservation as well as capital growth strategies.

Prior to constructing a portfolio, we meet with the client in order to assess their:

- Risk/return appetite
- Investment horizon
- Level of sophistication with regard to financial products
- Tolerance of potential investment drawdowns
- Tax status
- Personal situation including concentrated or restricted holdings, estate and next generation planning, lifestyle needs and charitable interests.

Based on this knowledge, we decide with the client on a customized investment plan that reflects their needs and wishes but is also disciplined and formalized. This plan is written up as a customized Investment Policy Statement ("IPS"). The IPS also takes into account the allocation of a client's assets which may not be placed under Colter Lewis' management.

An IPS will typically include a recommended asset allocation. Once determined, Colter Lewis will begin to implement the plan by investing in selected managers and Funds. Often, the principals of Colter Lewis will have already invested personally with recommended managers. Before selecting particular investments, we undertake a due diligence process which varies based on investment type and size and has both quantitative and qualitative elements. Depending on the type of security or product, the factors analyzed may include the following:

1. Quantitative factors
  - A. Past performance, both absolute and relative
  - B. Fees
  - C. Tenure of managers
2. Qualitative and operational factors
  1. Interviews with managers or executives
  2. Investment selection
  3. Adherence to strategy
  4. Due diligence reports and other relevant information

On an ongoing basis, we monitor the components of a client's portfolio to ensure that it is following the IPS and performing as anticipated. We dynamically manage each portfolio by taking into account any relevant macro and micro data that we believe may impact the performance or risk profile. Depending on our review of new data and the overall market environment, we may adjust the portfolio as appropriate.

The client has real-time electronic access to his or her portfolio. In addition, we keep them informed of the portfolio's performance and risk, as well as any changes made to its composition, on a regular basis.

**Risk of Loss** – Investing in securities involves risk of loss that clients should be prepared to bear.

### **B. Material Risks Associated with Investment Strategies**

There is no assurance that we will be able to achieve our investment objectives. This depends, to a great extent, upon our ability to assess correctly the investment capabilities of the managers we select and their ability to predict the future course of price movements of securities. Such movements will be affected by general economic conditions that impact the level and volatility of asset prices, as well as the liquidity of the markets.

The success of our process is significantly dependent upon the expertise of our Managing Members. The loss of their services could result in our inability to monitor our client portfolios effectively. While the loss of either of our Managing Members would make us less efficient, there can be no assurance that the remaining Managing Member would be able to carry on the business of the Firm until a suitable successor is appointed.

### **C. Material Risks Associated with Certain Securities.**

#### **Risks in General**

All investments in securities have certain risks, including the following:

- **Market risk** – The price of a security may drop in reaction to tangible and/or intangible events and conditions. This type of risk is caused by external factors independent of the security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Credit risk** - Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken, and/or such issuer will fail to make timely payments of principal or interest, resulting in the security going into default.
- **Liquidity risk** – Liquidity is the relative ability to convert a security into cash. Certain investments in clients' portfolios may be inherently less liquid than others.
- **Volatility risk** - A measure of the uncertainty or risk in the future price of an asset. Typically, volatility is measured by the standard deviation or variance of returns on the asset.
- **Inflation risk** – The risk that the rate of inflation (the decline in the purchasing power of a dollar) will exceed the rate of return on investment.

- Event risk: This risk is very difficult to predict because it may involve a wide range of different situations, such as natural disasters (for example, earthquakes or hurricanes), political or social unrest, regulatory changes, etc.
- Business risk – This is a risk associated with a particular industry or a particular company within an industry.
- Financial risk – Excessive borrowing to finance a business's operations may impact the profitability of a company because its obligations to meet its debt payments are irrespective of the success of the business at any specific point in time.
- Fraud risk - Beyond normal financial risks listed above, any investment can be affected by a risk of fraud.
- Currency risk – Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also referred to as exchange rate risk.
- Foreign investment risk - Investments in securities issued by entities outside of the United States may be subject to the risks described above to a greater extent. Foreign investments may also be affected by currency controls; different accounting, auditing, financial reporting and disclosure, as well as regulatory and legal standards and practices; expropriation; changes in tax policy; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or receiving payment of dividends. These risks may be heightened in emerging countries.

**Specific Risks Associated with Particular Securities are Outlined Below:**

1. **Mutual Funds:** We invest client funds in mutual funds, some of which are highly specialized. Below are some general risks associated with mutual funds:
  - a. Manager risk is the risk that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the mutual fund to underperform relevant benchmarks or other funds with a similar investment objective.
  - b. Non-diversification risk is the risk that a fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. Certain funds may be non-diversified, which means that they may invest a greater percentage of their assets in the securities of a small number of issuers as compared with other mutual funds.

For a description of the risks associated with particular mutual funds, it is important to read the individual prospectuses related to those funds.

2. **Third Party Fund Investments:** We may recommend Third Party Funds to our clients, such as hedge funds or private capital funds. Such investments contain certain risks in addition to those named above in reference to mutual funds. They are outlined as follows:

- a. Liquidity: Partnership and LLC member interests are not easily transferable, even on the secondary market, and are subject to redemption limitations.
- b. Transparency: Advisers to Third Party Funds may not provide detailed information on their portfolio positions, and, therefore, clients may not be able to objectively assess the risk of the underlying fund investments.
- c. Reliance on Key Personnel: Most fund advisors have a small number of key people who make the important investment decisions. Should any of those persons end their association with the fund, the ability to achieve good performance may be impaired.
- d. Similar Funds: Investment managers often advise other similar funds and, depending on the fee structures for those funds, may allocate certain limited investment opportunities to higher fee funds.
- e. Valuation: Certain funds own hard to value assets. Investment managers generally have discretion to value those assets and have an incentive to assign a higher value to those assets as their fees are tied to such valuations. We mitigate this conflict by requiring that Third Party Funds we select for our clients be independently audited.
- f. Leverage: Certain funds use leverage (borrow funds from banks and brokers) to increase their securities holdings. The use of leverage will magnify both gains and losses.

More specific risks associated with a Fund are often outlined in the fund's offering memorandum.

### **3. Funds (Managed by the Firm or its affiliates):**

The following is a summary of certain material risks associated with Colter Lewis's potential Fund investment strategies. As a summary, it is inherently incomplete and does not attempt to describe all the risks associated with those strategies. More information regarding the risks associated with these investments are available in the offering documents for the Funds. Investing in securities involves a risk of loss that Investors should be prepared to bear.

#### **a. Lack of Diversification**

It is the intention of Colter Lewis to advise Funds which could each hold a single investment. As such, the investment strategy will likely not be diversified among sectors, industries, geographic areas or types of securities. In addition, those Funds will not be diversified among a wide range of issuers. Accordingly, the Funds may be subject to more rapid change in value than would be the case if they were required to maintain a wide diversification among companies or industry groups.

#### **b. Dependence on Key Personnel**

The success of the Funds depends in substantial part on the skill and expertise of the investment professionals of Colter Lewis. There can be no assurance that the

investment professionals will continue to be employed by the Firm throughout the life of the Funds. The loss of key personnel could have a material adverse effect on an investment vehicle.

c. Lack of Liquidity

Due to the nature of investments made by the Funds there may not be a readily available liquidity mechanism at any particular time. As such, Investors should be aware that there may be limited opportunities for redemption during the term of the investment.

**4. Exchange Traded Funds ("ETFs"):**

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. (Some ETFs that invest in commodities, currencies, or commodity or currency-based instruments are not registered as investment companies.) Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. While investing in ETFs may create similar risks to those of mutual funds (because ETF shares are traded on an exchange), they are also subject to additional risks that include the following:

- a. Valuation Risk. ETFs are listed for trading on exchanges and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF share typically will approximate its net asset value ("NAV"), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy an ETF share, and you may receive more or less than NAV when you sell those shares.
- b. Liquidity Risk. Although ETF shares are listed for trading on exchanges, it is possible that they may not maintain an active trading market. In addition, trading of ETF shares on an exchange may be halted by the activation of individual or market-wide "circuit breakers" (that halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of ETF shares may also be halted if: (1) the shares are delisted from the exchange where they are trading without first being listed on another exchange; or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**5. Fixed Income Products:**

We invest a significant amount of client assets in fixed income products. Below are certain risks associated with fixed income products that are not disclosed above:

- a. Interest rate risk – Fluctuations in interest rates can cause fixed income asset prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market value to decrease.
- b. Downgrade Risk: The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poor's, Moody's or Fitch.

- The rating agencies attempt to measure the ability of an issuer to make the interest and principal payments on their debt. Typically, the higher the issuer's credit rating the lower the expected investment return will be. A downgrade of a particular issuer's credit rating may result in a decrease in value of its existing bonds.
- c. Credit Risk: This is the risk of loss for a bondholder as a result of a default of the issuer. A default occurs when an issuer fails to make an interest and/or principal payment on their debt.
  - d. Duration Risk: Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a way to compare how different bonds will react to interest rate changes.
6. **Real Estate Investments**: The Firm may invest in real estate assets through partnerships and LLCs. Aside from the fact that partnership and LLC member interests are not easily transferable, even on the secondary market, and could be subject to redemption limitations, the underlying real estate investment is inherently illiquid. In addition, because of the cyclical nature of the real estate market, the liquidity needs of the client may occur at a time when the market is in a downward cycle and disposition of the investment to meet the client's need for liquidity would be inopportune.

## **Item 9. Disciplinary Information**

We have no legal or disciplinary events.

**Item 10. Other Financial Industry Activities and Affiliations****A. Broker-Dealer Affiliations**

Neither we nor our management persons are registered or have applications pending to register as a broker-dealer or registered representatives of a broker-dealer.

**B. Commodity Affiliations**

Neither we nor our management persons are registered or have applications pending to register as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of these entities.

**C. Other Affiliations**

We currently have no affiliations that would create a conflict of interest.

**D. Recommendation of Selection of Other Investment Advisers**

As stated above, we may select unrelated investment advisers and other pooled investment vehicles as investments for our clients. However, we receive no compensation, either directly or indirectly, from the selected investment advisers and Third Party Funds.



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

### **A. Summary of Code of Ethics**

We maintain a Code of Ethics (the "Code") that describes our fiduciary duty to our clients and sets standards for business conduct. The following is a summary of the key provisions of the Code:

**Scope** - The Code covers all directors, officers, partners, employees, and any other persons who are under our supervision and control.

**Fiduciary Duties** - This Code is based on the principle that we and our employees owe a fiduciary duty to our clients. Accordingly, we and our employees must avoid activities, interests, and relationships that might interfere or appear to interfere with making decisions in the best interests of our clients.

**Personal Securities Trading** - All Employees are subject to certain trading restrictions. In addition, all employees must report their personal securities transactions quarterly and personal securities holdings annually.

**Code of Conduct** - The Code contains specific topics designed to reflect our commitment to ethical conduct. These topics include compliance with legal and regulatory requirements, gifts, outside activities, entertainment and board directorships. We also maintain separate Insider Trading Policies and Procedures.

**Code Violations** - The Code requires that all employees report any actual or apparent violation of the Code and provides for a prohibition on retaliation against any person who reports such violations. Appropriate sanctions are included for Code violations.

You may receive a copy of our Code by contacting our Compliance Department at 203-987-3090.

### **B. Transactions with Clients**

We currently do not recommend or buy or sell securities in which we or a related party hold a material financial or ownership interest. As discussed above, the Firm may form Funds in which the Firm or its affiliate will act as managing member or in a similar capacity. Clients of the Firm may be solicited to invest in such vehicles.

### **C. Investing in the Same Securities as Clients**

We permit our employees to trade in the same securities as those held by clients. Potential conflicts arise when employees buy or sell the same securities we buy or sell for clients. For instance, if employees have knowledge of pending client trades that could impact the market price of a security, they could time their transactions so as to receive a better price than that of the clients. Our policy is, with the exception of open-end mutual funds, to closely monitor employee personal trading to ensure that such employees do not profit at the expense of clients.

Generally, the Firm requires that employees obtain pre-clearance before directly or indirectly acquiring a beneficial ownership in private placements and Initial Public

Offerings. Aside from trades in their status as our clients, employees are not permitted to participate in aggregated trades with client accounts.

For additional information on aggregation of trades see Item 12(B).

**D. Employees Trading in the Same Securities as Clients at the Same Time**

See 11(C) above and the section on Aggregation in Item 12 below.

## **Item 12. Brokerage Practices**

### **Factors in Broker Selection**

Brokerage transactions are generally executed through a broker/custodian recommended or selected by the Firm.

We generally recommend that Separately Managed Account clients designate certain custodians ("Recommended Custodians") to act as the custodian for their accounts. Clients enter into agreements directly with the custodian to open their account. We do not open the account for the client, although we will assist the client in doing so.

In recommending the Recommended Custodians to act as custodian for Separately Managed Accounts we considered a wide range of factors, including, among others:

- Financial strength, integrity and stability;
- Quality of their trading and execution services;
- Competitiveness of the fees based upon the quality of service;
- Availability of research, pricing services and other market data;
- Breadth of available investment products (mutual funds and ETFs); and,
- Responsiveness.

Our Recommended Custodians charge our clients a flat transaction fee for effecting all securities transactions. With regard to our Recommended Custodians, we seek to negotiate competitive rates for our clients. However, the transaction fees charged by our Recommended Custodians may be higher or lower than those charged by other custodians and broker-dealers for the same services.

From time to time clients will direct the Firm to execute trades on his/her behalf through a broker/custodian selected by the client. This practice is known as "Client Directed Brokerage." Clients may pay more for trade execution than they would if they did not direct brokerage arrangements because of the Firm's inability to negotiate commission rates and evaluate the execution quality of such brokers. Also, the fact that the Firm may not be able to aggregate orders for Client Directed Brokerage accounts may result in less favorable execution and/or commissions for such accounts.

### **Products and Services Available to Us from Broker/Custodian**

Our Recommended Custodians provide us and our clients with services and benefits that are generally not available to their retail customers. Some of these services help us manage or administer clients' accounts, while others help us manage and grow our business. These support services are generally, but not always, available to us whether we request them or not.

Among the services provided by our Recommended Custodians that may directly benefit clients are: (i) execution and settlement services; (ii) broad range of investment products; (iii) custody of client assets; and (iv) availability of certain investment products that are not available to retail accounts.

Certain services provided by our Recommended Custodians may benefit us but may not directly benefit clients. These services may assist us in managing client accounts. They include, but are not limited to:

- Research, pricing services and other market data;
- Ability to electronically download client trades, balances and positions and input them into our portfolio record keeping systems;
- Use of trading software to facilitate trade execution and aggregate orders for multiple client accounts;
- Ability to pay our management fees directly from client accounts; and,
- Provide access to client account data, such as confirmations and statements.

Other services that are made available by our Recommended Custodians generally benefit only us. These services may include but are not limited to: (i) consulting on technology, compliance, legal and business needs; (ii) educational conferences; (iii) publications and conferences on practice management; and (iv) access to employee benefits providers, human capital consultants and insurance providers. These services may be provided by our Recommended Custodian or by a third-party vendor. Our Recommended Custodian may waive its fees for some of these services or pay all or part of the fees of a third-party vendor. Other benefits, such as business entertainment, may be provided to our personnel from time to time.

### **Potential Conflicts of Interest Arising from Broker/Custodian Arrangements**

The following potential conflicts of interest arise from our relationship with our Recommended Custodians:

- The products and services made available to us through our Recommended Custodians may directly benefit us to the extent that we would have to produce or pay for such products and services; and
- Since one or more of our Recommended Custodians has a minimum dollar amount of assets required in order to receive some or all of the services discussed above, we may have an incentive to continue to use or expand our use of our Recommended Custodians in order to benefit us rather than our client.

We examine these potential conflicts of interest on an ongoing basis. We believe that our selection of our Recommended Custodians is in the best interests of our clients. Our selection is primarily based upon the quality and price of the services provided that benefit our clients and not on those services that benefit only us.

### **Soft Dollar Benefits**

Although we receive certain benefits discussed above from our Recommended Custodians, we do not receive such benefits for directing specific client trades to our Recommended Custodians. For trades, other than fixed income trades, all clients at a particular Recommended Custodian are charged the same negotiated flat fee. All fixed income trades are directed to brokers based upon execution capabilities, broker

charges, availability of bonds and responsiveness and service. Please refer to Selection of Broker/Custodian for a discussion of our practices regarding trade execution.

### **Brokerage for Client Referrals**

We do not select or recommend brokers or direct client transactions to brokers based upon whether we receive client referrals from such brokers.

### **Aggregating the Purchase and Sale of Securities for Client Accounts**

We may aggregate orders for the sale and purchase of equity securities and fixed income securities for our clients if we believe we can obtain a better execution price. For aggregated trades that are fully executed, each client will receive the number of shares originally intended for his or her account. In the event trades are partially executed, clients will receive a pro-rated allocation. An aggregated order for the remaining shares will be entered on the next trading day. For aggregated orders that are executed in more than one transaction, the client's portion of such order is the average of the prices at which all of such transactions were executed for each day. The average price may be greater or less than the price the client would receive if the trade was made separately for such client. All transaction costs for aggregated orders will be shared on a pro-rata basis based on each client's participation in the transaction.

Employee accounts we manage may be included in aggregated orders. We prohibit favoring any account, including employee managed accounts, over any other account. We maintain a record of the aggregated order that includes each participating account and its allocation that we complete prior to entering the aggregated order. Orders are allocated consistent with our initial allocation.

If practicable, orders for Advisory Mandates will be aggregated with those of Discretionary Mandates at the same custodian. However, because of the time necessary to obtain approval from Advisory Mandates, orders from such accounts may not be aggregated with the trades of Discretionary Mandates. If Advisory Mandates are not participating in such a trade, such accounts may, if practicable, be aggregated with orders of other Advisory Mandates. Our inability to aggregate trades for Advisory Mandates with those of Discretionary Mandates may result in less favorable prices for the Advisory Mandates.

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

### **A. Periodic Review of Client Accounts**

Generally, client level account reviews occur quarterly, but in certain circumstances may be more or less frequent.

All new accounts are reviewed by the Managing Members, who are responsible for implementing the appropriate portfolio strategy.

### **B. Review of Client Accounts on Other than Periodic Basis**

Factors that may cause our personnel to review a client's account more frequently include:

- Volatile market periods;
- Changes in client objectives; and
- Client request.

### **C. Content and Frequency of Client Reports**

We provide Discretionary Mandate clients with written portfolio evaluations of their accounts at regularly scheduled review meetings. Clients receive monthly or quarterly custodial statements. We will also provide client reports upon request from the client.

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

### **A. Economic Benefits from Third Parties**

We do not receive any economic benefit from a third party for providing investment advisory services.

### **B. Compensation to Third Parties for Referrals**

We do not currently have arrangements with third parties where we pay third parties a percentage of the management fee for soliciting clients.

## **Item 15. Custody**

We currently do not maintain physical custody of any client assets.

However, we do debit client advisory accounts for payment of our advisory fees. This policy is more fully described under Item 5, Fees and Compensation.

When we form and advise a Fund, we will be deemed to have custody and will obtain financial audits of the Funds in compliance with the Custody Rule.

All of our clients receive monthly or quarterly account statements directly from the custodian. We urge clients to read these statements carefully.



**Item 16. Investment Discretion**

We accept discretionary authority to manage securities portfolios on behalf of our Discretionary Mandate clients. We give those clients the opportunity to place restrictions and limitations on this authority. Since all portfolios are customized to the needs of the specific client, these restrictions will vary depending on the portfolio construction. All such clients sign investment management agreements that clearly describe any limitations the client may impose.

## **Item 17. Voting Client Securities**

### **A. Proxy Voting Authority**

Unless otherwise specifically agreed, we will generally not vote proxies, nor render any advice with respect to the voting of proxies in connection with our Separately Managed Accounts. The language in the Firm's investment management agreements reflects this policy.

As noted above, the Firm may form Funds which may invest in securities for which proxies are solicited. The Firm will vote proxies for those Fund investments.

Votes on behalf of partners in limited partnerships will be reviewed on an individual basis. The CCO has overall responsibility for voting in an impartial manner and in the best interests of the Firm's clients.

Should a vote be deemed to present a material conflict of interest, such as a conflict between the interests of the client on the one hand and those of the Firm on the other hand, then the matter is subject to resolution by notifying clients and receiving their consent prior to voting.

The Firm is required, upon written request, to provide clients proxy voting policies and procedures, as well as the results of Firm voting.

### **B. Client Voting of Proxies**

Other than the partnership and Fund voting policy referenced above, our clients will receive proxies or other solicitations directly from their custodian or transfer agent for individual securities we purchase on their behalf. In the event that proxies are sent to us, we will forward them on to our clients, and ask the party who sent them to mail them directly to our clients in the future. The managers of Third Party Funds in which clients invest vote proxies for investments made by those Third Party Funds.

**Item 18. Financial Information****A. Solicitation or prepayment of more than \$1,200 in fees**

We do not require, nor do we solicit, prepayment of more than \$1,200.00 in fees per client, six months or more in advance. Therefore, we have not included a balance sheet for our most recent fiscal year.

**B. Financial Condition Disclosure**

Although we do have discretionary authority over certain client accounts, we do not have any financial condition to disclose that is likely to impair our ability to meet our contractual commitments to clients.

**C. Other Financial Disclosures**

We have never been the subject of a bankruptcy petition.

## Other Conflicts, Risks and Mitigation

### Valuation

We have a duty to ensure that client portfolios are valued properly.

There is a conflict of interest for us because the compensation we earn on advisory accounts is based on assets under management, so if we were to assign a higher value to client portfolios, the fees we collect would be higher. We address this conflict as follows:

1. For securities with a readily verifiable market price, we rely on pricing provided by third party custodians. Our Chief Compliance Officer ("CCO") reviews and approves the pricing policies of the custodians and samples the pricing periodically for unusual price variances.
2. For other securities, we have procedures in place, involving the CCO, to appropriately value certain securities subject to fair value pricing.

### Trade Errors

The Firm has developed trade error procedures whereby clients are reimbursed for all losses attributed to trade errors. All gains resulting from trade errors will remain in client accounts.