

# Bourgeon

## CAPITAL MANAGEMENT

### Investment Counselors



**BOURGEON CAPITAL MANAGEMENT, LLC**

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#### **FIRM BROCHURE AND BROCHURE SUPPLEMENT**

This firm brochure and brochure supplement provides information about the qualifications and business practices of Bourgeon Capital Management, LLC and some of its supervised persons that supplements the firm brochure. If you have any questions about the contents of this firm brochure and brochure supplement, please contact John A. Zaro, III by telephone at (203) 280-1170 or electronic mail at [jzaro@bourgeoncapital.com](mailto:jzaro@bourgeoncapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Additional information about Bourgeon Capital Management, LLC is available on the website maintained by the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

On occasion, Bourgeon Capital Management, LLC may refer to itself as being a “registered investment advisor” because it is registered with the Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

**March 2024**

## Material Changes

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This is the 2024 annual updating amendment. The 2023 annual updating amendment was filed in March 2023. Other than updating assets under management, there are no material changes in this version as compared to the March 2023 version.

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## Advisory Business

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### Firm Description

Bourgeon Capital Management, LLC (“Bourgeon”) was organized as a limited liability company under the laws of the State of Delaware in 1999 and has offices in Darien, Connecticut. Bourgeon is registered as an investment advisor with the Securities and Exchange Commission (the “SEC”). John A. Zaro, III, who founded Bourgeon, is its principal owner. Mr. Zaro serves as the managing member of Bourgeon and its chief compliance officer.

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### Types of Advisory Services

Bourgeon is primarily engaged in the business of furnishing investment advisory services to managed accounts owned by individuals, pension and profit-sharing plans, trusts, estates, and charitable organizations. Bourgeon may purchase, sell, redeem, invest, reinvest, and otherwise trade any security, including (unless otherwise specified in the investment policy statement for a particular client) options, financial futures contracts, forwards, swaps, and other derivative products, in the name of, on behalf of, and at the risk of the client who owns the managed account. Based on client suitability and approval, Bourgeon may suggest investments in private real estate, private equity, or private credit. Unless the client so requests in writing, Bourgeon does not participate in initial public offerings. Pursuant to its standard investment management agreement, Bourgeon holds a limited power of attorney to act on a discretionary basis for a managed account. The securities and funds of each client are held either by a brokerage firm or a bank custodian.

Bourgeon also offers financial-planning services. We assist clients with budgeting, financial planning, retirement planning, estate planning, and setting goals for charitable giving. Our financial plans utilize state-of-the-art software tools that can model multiple financial scenarios and provide cash-flow analysis to help clients navigate their financial futures. Each financial plan is customized for the client (and, if requested, his or her spouse) based upon our analysis of his or her financial goals, investment objectives, assets and liabilities, and projected earnings.

Bourgeon provides advice to some clients with respect to their participation in retirement plans. These services are limited to providing advice and recommendations concerning retirement allocations and investments. Bourgeon does not have investment discretion with respect to retirement-plan assets unless the client has specifically granted discretion in writing.

Clients sometime request that Bourgeon provide financial advice that is unrelated to securities. This advice may involve, among other things, long-range income and expense projections, analysis of real estate investments, and advice on private business ventures. Each Bourgeon professional uses his or her financial knowledge and business judgment in providing this advice.

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### Tailored Relationships

Our services include the selection and management of investments tailored to the individual needs, investment objectives, and risk tolerance of the client. Bourgeon works closely with each client to understand his or her specific needs and overall financial profile. Client portfolios are then structured

to client priorities through asset allocation that reflects the individual needs of the client. A client is permitted to impose restrictions on our investing in particular securities or types of securities for his or her account.

In some circumstances, a position may be held at the specific request of a client. For example, a client may have inherited a position or may own stock in a company in which his or her family is or was involved. We call these positions “unsupervised assets.” Bourgeon does not charge advisory fees on unsupervised assets and does not consider unsupervised assets to be under its supervision.

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## **Retirement-Plan Rollovers**

Investment advisors that provide fiduciary advice in connection with making an individual retirement account (an “IRA”) or other retirement-plan rollover recommendation must comply with prohibited transaction exemption PTE 2020-02 adopted by the U.S. Department of Labor. Bourgeon charges a level investment-management fee, either a fee based on assets under management or a flat fee, that does not vary on the basis of the investment advice provided. Consequently, Bourgeon is not engaging in a prohibited transaction. In addition to other investment advisory services provided, Bourgeon may receive a level investment-management fee from one or more clients in connection with providing advice to roll the assets from (1) a retirement plan into an IRA managed by Bourgeon, (2) a retirement plan to another retirement plan, or (3) an IRA to another IRA. Under any of these scenarios, when providing fiduciary investment advice in the context of a rollover recommendation, Bourgeon must comply with PTE 2020-02.

Pursuant to PTE 2020-02, each client or prospective client to whom Bourgeon provides investment advice with respect to his or her retirement plan or IRA will receive information about the a rollover recommendation checklist that the advantages and disadvantages of staying in the existing retirement plan as opposed to taking a cash distribution or transferring the assets to Bourgeon for management, to another IRA, or, if permitted and eligible, to the retirement plan of a new employer. After reviewing this information, Mr. Zaro or Laura Drynan work through a rollover recommendation checklist with the client or prospective client. The client or prospective client will then acknowledge the fiduciary status of Bourgeon, will indicate whether the rollover was solicited by Bourgeon or was unsolicited, and will state his or her rationale for his or her proposed plan of action. Bourgeon will also sign this acknowledgment.

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## **Assets Under Management**

As of December 31, 2023, Bourgeon managed approximately \$684,500,000 in client assets on a discretionary basis and approximately \$16,300,000 in client assets on a non-discretionary basis. Our total assets under management as of that date were approximately \$782,900,000. As of December 31, 2023, there were approximately \$46,700,000 in unsupervised assets in Bourgeon managed accounts. Bourgeon is not responsible for arranging or effecting purchases or sales with respect to unsupervised assets or assets held on a non-discretionary basis.

## Fees and Compensation

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### Determining Aggregate Market Value

We base our fees for each managed account and retirement-plan account on the aggregate market value (the “AMV”) of the account on the valuation date, which is generally the last business day of the quarter immediately preceding the quarter in which the fee will be earned. The valuation date for some client accounts may not be the end of a calendar quarter but in all cases is the end of a calendar month.

To establish AMV, we aggregate the value of cash holdings and the market value of each security held in the account using prices provided by the account custodian or another third-party pricing source. Some client accounts hold shares of mutual funds and exchange-traded funds (each an “ETF”). In computing the value of these shares, we use the value assigned by Charles Schwab & Co., Inc. (“Schwab”) or the fund distributor.

In general, a security that is listed on a national securities exchange is valued at the last quoted sale price on the valuation date of the principal exchange on which the security is listed. A security that is primarily traded on the Nasdaq Global Market, the Nasdaq Global Select Market, or another recognized Nasdaq market is generally valued using the Nasdaq Official Closing Price. If the Nasdaq Official Closing Price is not available, the security is usually valued at the last sale price on the valuation date or, if there were no sales on that day, at the mean between the bid and asked prices. Over-the-counter securities that are not principally traded on a Nasdaq market are generally valued at the most recent trade price. Options and securities issued by the United States government, such as Treasury bills, are typically valued at the most recent bid price. If an account custodian or other pricing source is unable to provide a value for a security held in a client account, Bourgeon will establish the fair value of the security in good faith. In establishing fair value, we have complete discretion to use one or more pricing services, banks, and broker-dealers that we believe to be experienced in these matters.

We often hold cash in accounts for strategic and other purposes. In all cases, the value of cash holdings and other property is included in the AMV of the account and is taken in account in calculating our advisory fees. In general, dividends, interest, and other distributions are reinvested when received, which generally increases the AMV of the account and consequently our fees.

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### Managed Accounts

For discretionary investment advisory services, we typically charge fees at the following incremental levels based on the AMV of the account:

Up to \$1 million	1.0% per year
Between \$1 million and \$2 million	0.9% per year
Between \$2 million and \$5 million	0.7% per year
Between \$5 million and \$10 million	0.6% per year
Above \$10 million	0.5% per year

As an example, a discretionary account with an AMV of \$2,500,000 would pay advisory fees at the annual rate of 1.0% on \$1,000,000, 0.9% on \$1,000,000, and 0.7% on \$500,000.

For non-discretionary investment advisory services, we typically charge fees at the rate of 0.3% per year of the AMV of the account.

We charge fees quarterly and in advance, meaning that the fee is directly debited from the client account on or about the first day of the quarter in which it will be earned. The quarterly fee is based on the AMV of an account on the last day of the preceding calendar quarter, multiplied by the annual rate and divided by four. If the investment management agreement terminates, we promptly refund any unearned fees. The amount refunded will be based on the number of days during the billing period that have elapsed prior to termination. If a client has more than one managed account, then the AMV of all accounts are aggregated in determining the appropriate fee level.

Because our services depend on the individual needs of particular clients, our fees may vary based on, among other things, the nature and identity of the client, the relationship of the client with other Bourgeon clients (such as through a family group), the nature of the managed account, and other circumstances. We have existing managed-account clients with fee arrangements that differ from the percentages set forth above. These fee arrangements may not be offered to prospective clients.

Bourgeon believes that its fees are competitive with the fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than we charge. Fees are negotiable, particularly for accounts with an AMV above \$25 million. We reserve the right to reduce or waive fees in our discretion, including for clients who are related to Bourgeon personnel.

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### **Financial-Planning Services**

When approached to provide financial-planning services, we meet with the client or prospective client for approximately one hour to gather information. This initial consultation is without charge or obligation. The cost of the development of an initial financial plan is \$7,000. If, at the conclusion of the financial-planning process, the client opens a managed account for which Bourgeon expects to provide ongoing investment advisory services, then Bourgeon will credit the \$7,000 financial-planning fee against future investment management fees. Otherwise, additional planning work and ongoing reviews are subject to additional fees.

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### **Retirement-Plan Advice**

For advice regarding participation in retirement plans, we charge an advisory fee of 0.3% per year on the AMV of the assets that a client holds in his or her retirement plan, up to \$5 million. For retirement plans with an AMV of more than \$5 million, the fee is negotiable and will be established in advance by agreement between Bourgeon and the client. Bourgeon and particular clients may negotiate different fee schedules for retirement-plan advice and may adjust the fees to be charged from time to time.



Bourgeon bills retirement-plan clients quarterly in advance for retirement-plan advisory fees, and each retirement-plan client agrees in advance how the fee will be paid. For example, Bourgeon and the client may agree that the client will pay the fee by check. If a client also has a managed account, the client may authorize Bourgeon to debit the retirement-plan advisory fee from the managed account. In such a case, the fee is directly debited from the client account on or about the first day of the quarter in which it will be earned. If the investment management agreement terminates, we promptly refund any unearned fees. The amount refunded will be based on the number of days during the billing period that have elapsed prior to termination.

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### **Financial Advice Unrelated to Securities**

Our fee arrangement when providing financial advice that is unrelated to investment securities is negotiated in advance with the client on a case-by-case basis. Our fees may take the form of a flat fee, an hourly fee, a fee based on a percentage of the value of the assets at issue, or any other format to which we and the client agree. If the investment management agreement terminates, we promptly refund any unearned fees. The amount refunded will be based on the number of days during the billing period that have elapsed prior to termination.

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### **Additional Fees and Expenses**

The fees for our services do not include:

The costs, charges, commissions, markups, or markdowns, whether fixed or contingent, associated with securities transactions, including prime-brokerage fees and expenses;

The advisory or management fee paid by a mutual fund or an ETF to the investment advisor of the fund or its affiliate;

Other fees and expenses paid directly from a mutual fund or an ETF out of its assets, such as rule 12b-1 distribution fees;

Sales charges or contingent deferred sales charges payable to mutual funds and ETFs, their affiliates, and their distributors; or

Fees charged by account custodians.

A client may pay an advisory fee to Bourgeon and another advisory fee indirectly to the portfolio manager of one or more mutual funds or ETFs. We do not reduce our advisory fee to offset any of the additional expenses described above. There is additional information about costs associated with securities transactions in the section of this brochure entitled “Brokerage Practices.” Clients have the option to purchase investment products that we recommend through brokers and agents that are not affiliated with Bourgeon.

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## **Investment Management Agreements**

Our relationship with each client is documented by a written investment management agreement. Either the client or Bourgeon may terminate the investment management agreement upon at least a ten-day prior written notice to the other party or as otherwise provided in the agreement. Termination of the agreement does not have the effect of canceling an order to deposit or invest cash, to purchase or sell securities or other property, to reinvest dividends or other distributions, or to take other similar action if the order was placed prior to actual receipt of the notice of termination. If an advisory relationship terminates, we will refund any unearned fees. Additional information about the adjustment of fees for account openings, closures, deposits, and withdrawals is included below.

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## **Adjustment of Fees for Account Openings, Closures, Deposits, and Withdrawals**

An account that is opened on a day other than the first day of a calendar quarter is charged an advisory fee based on the number of days that elapse between the day that the account is opened and the end of the quarter. If an account is closed as of a day other than the last day of a calendar quarter, Bourgeon refunds any unearned advisory fee based on the number of days remaining in the quarter. A client may deposit or withdraw cash, securities, and other property to or from his or her account at any time. Advisory fees are adjusted for account deposits and withdrawals.

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

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This item is not applicable.

## **Types of Clients**

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### **Description**

Bourgeon provides investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, and charitable organizations, and participants in retirement plans.

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### **Minimum Account Size**

Bourgeon generally requires a minimum initial portfolio value of \$1,000,000 to open a managed account. The requirement may vary based on, among other things, the nature and identity of the particular client, the relationship of the client to other Bourgeon clients (such as through a family group), the nature of the managed account, and other circumstances. The minimum account size may be waived or reduced by Bourgeon in its discretion. Bourgeon reserves the right to increase or decrease the minimum account size that it accepts. There is no minimum account size for retirement-planning advice or financial planning services.

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## Know Your Client

Bourgeon strives understand the identities of clients and prospective clients and the business reasons for any transactions in which we engage on behalf of our clients. We do not directly or indirectly conduct business with any person or entity whose identity and source of funds have not been verified.

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

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### Investment Strategy

Bourgeon primarily utilizes fundamental analysis when evaluating the merits of a potential investment. In addition, Bourgeon may consider the technical indicators surrounding a potential investment, as well as its charting record. When performing analysis, Bourgeon also considers where a business may fall in its business cycle.

An important component of our services is our assessment of the suitability of a particular investment for the client. Our decisions about the securities that we purchase or recommend for each client are based on our evaluation of the investment objectives of the client and any investment restrictions that the client has imposed. Investing in securities always involves risk of loss that a client should be prepared to bear.

Our investment strategy includes the objective of a broad degree of issuer diversification. Generally, our clients authorize us to invest their assets primarily in publicly traded securities and shares of mutual funds and ETFs. The securities held in client accounts include, among other things, exchange-listed securities, securities traded over the counter, securities of foreign issuers, common stock, preferred stock, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. government securities, options contracts on securities, futures contracts on tangibles and intangibles, partnership interests, and limited liability company interests. Most managed accounts have a cash component. Based on client suitability and approval, Bourgeon may suggest investments in private real estate, private equity, or private credit.

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### Managing Risk of Loss

All investment programs involve risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Like other investors, our clients face the following investment risks, among others:

**Inflation Risk:** When inflation is present, a dollar today will not buy as much as a dollar next year, because the purchasing power of the dollar is eroding at the rate of inflation. In recent years, inflation and the threat of further inflation have become important considerations.

**Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on fixed-income securities tend to become less attractive, which in turn causes prices to decline.

**Market Risk:** The price of a security, bond, mutual fund, or ETF may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors regardless of the particular circumstances that affect a security. For example, political, economic, and social conditions may influence market conditions.

**Options Risk:** An option is a contract in which the holder (the buyer) pays a specified amount (the premium) to the writer (the seller) to obtain the right, but not the obligation, to buy from the writer (in a call) or to sell to the writer (in a put) a specific asset at an agreed-upon price (the strike price or exercise price) at or before a specified time (the expiration date). The holder pays the premium at inception and has no further financial obligation. The holder of an option will benefit from favorable movements in the price of the underlying asset. In the event of adverse movements in the value of the underlying asset, losses are limited to the total premium paid when the option was purchased. The writer of an option will receive fees or premiums but is exposed to losses due to changes in the value of the underlying asset.

**Currency Risk:** A security that is not denominated in U.S. dollars is subject to fluctuations in the value of the U.S. dollar as against the currency in which the security is denominated. For example, the value of a security denominated in euros will decrease if the U.S. dollar strengthens against the euro. This type of risk is also called exchange-rate risk.

**Business Risk:** This risk is associated with a particular industry or a particular issuer. For example, an oil production company depends upon the lengthy process of finding oil and then refining it before the company generates a profit. As a result, an oil production company carries a higher risk of profitability than an electric company, which generates its income from a relatively stable customer base that must purchase electricity regardless of the economic environment.

**Liquidity Risk:** Liquidity is the ready ability to convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury bills are highly liquid, while real estate properties are not.

**Financial Risk:** Excessive borrowing to finance the operations of a business increases the risk of profitability, because the company is required to repay principal and interest in both good and bad economic times. During periods of financial stress, the inability of a company to meet its loan obligations may decrease the value of its securities and, in some cases, may force the company to seek bankruptcy protection.

**Risks Specific to Equity Securities:** Clients invested in equities risk loss related to changes in the underlying business and economic conditions. We seek to mitigate this risk by regularly reviewing equity investments. In this regard, we may speak with the managements of companies in which Bourgeon clients invest, listen to investor conference calls, attend investor meetings, and review SEC regulatory filings, such as Form 10-Q and Form 10-K.

**Risks Specific to Fixed-Income Securities:** Clients invested in fixed-income securities bear investment risks associated with changes in inflation expectations that may occur over the period until maturity. When inflation is present, a dollar today will not buy as much as a dollar next year, because the purchasing power of the dollar is eroding at the rate of inflation. In recent years,

inflation and the threat of future inflation have become important considerations. In addition, changes in underlying business conditions may impair the ability of an issuer to repay a bond in a timely manner. We seek to manage these risks by laddering bond maturities. We also seek to manage credit risk by monitoring the underlying fundamentals of fixed-income issuers. Fixed-income securities are also subject to reinvestment risk, in that future proceeds from investments may be reinvested at a lower rate of return because yields generally have decreased.

**Risks Related to Public-Health Crises:** A public-health crisis, such as the COVID-19 global pandemic, may have unpredictable and adverse impacts on global, national, and local economies, which in turn may negatively impact Bourgeon clients and their investment performance. Disruptions to commercial activity (such as the imposition of quarantines and travel restrictions) or, more generally, a failure to contain or effectively manage a public-health crisis may increase financial stress on issuers of securities, which in turn may adversely impact the performance of client investments. Our ability to effectively identify, purchase, monitor, operate, and dispose of investments may also be negatively impacted due to direct or indirect disruptions to Bourgeon business operations.

Further, the COVID-19 global pandemic has contributed to, and may continue to contribute to, extreme volatility in financial markets. This volatility may adversely affect the ability of Bourgeon to dispose of investments and may lead to a significant rise in overall risk, all of which may have a material and adverse impact on client investment performance. The impact of a public-health crisis such as COVID-19 (or any future pandemic, epidemic, or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to the performance of client investments.

Mutual funds, ETFs, and other securities have differing degrees of risk associated with them. No investment in securities is free of risk, and some securities involve a significant amount of risk. Often mutual funds and ETFs that invest in futures contracts, stock-index futures contracts, options on stock-index futures contracts, and options on securities and stock indices are perceived to involve greater risk.

### **Disciplinary Information**

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This item is not applicable.

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

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This item is not applicable.

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

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### **Code of Ethics**

We have a written code of ethics that requires us and our personnel to comply fully with all applicable laws, including applicable federal securities laws, in conducting investment advisory services and related activities. The code of ethics is based on the principle that we have a fiduciary obligation to our clients. In this fiduciary capacity, we are obligated to place the interest of our clients before the personal interests of our personnel and the interests of persons and entities that may be related to our personnel. We seek to avoid conflicts of interest with our clients and will take appropriate steps consistent with our code of ethics to resolve any conflicts of interest that may arise. We will provide our code of ethics to any client or prospective client upon request.

Our code of ethics and our policies and procedures manual establish policies and procedures in a number of areas, including the treatment of confidential proprietary information, recordkeeping, conflicts of interest, and personal securities transactions. We permit our personnel to purchase and sell securities for their personal accounts and for the accounts of certain persons and entities related to them, so long as the purchases and sales are in compliance with the code of ethics. We require that our code of ethics and our trade allocation policy be followed in order to mitigate the potential conflicts of interest that arise in connection with trading for clients and personal trading. More information about trade allocation is contained in the section of this brochure entitled “Brokerage Practices.”

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### **Violations of Law**

Our chief compliance officer supervises annual compliance reviews, and his designees monitor for indications of potential violations of law or our code of ethics. In addition, we have a written policy that requires personnel who become aware of a violation of the code of ethics to report the possible violation promptly on a confidential basis to the chief compliance officer. The code of ethics requires the chief compliance officer to investigate these reports and prohibits retaliation against someone who reports a violation. Disciplinary action under the code of ethics may include termination of employment.

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### **Participation or Interest in Client Transactions**

Bourgeon or one or more of its members, managers, employees, agents, and related persons may from time to time have an interest in a security that is purchased, sold, or otherwise traded in client accounts and may effect transactions in the security for client accounts that may be the same as or different from the actions that Bourgeon or a related person may take with respect to its, his, or her own account.

As agent for a client, we may effect transactions in securities while also acting as agent for another client or for Bourgeon personnel who are counterparties to the transaction. This practice may present a conflict of interest. If we believe that a conflict of interest is material, we will discuss the conflict with the client involved in advance and obtain his or her assent to the proposed arrangement. In

addition, any client may revoke, by written notice to Bourgeon, any authority granted in the investment management agreement to participate in these so-called cross transactions.

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## **Personal Trading**

We permit our personnel to purchase and sell securities for their personal accounts and for the accounts of persons and entities related to them, so long as our personnel comply with the code of ethics. These securities may be among those recommended to clients.

The code of ethics requires our personnel who provide advisory services to obtain advance clearance from the chief compliance officer or his designee for all transactions involving private placements or other limited offerings. We prohibit our personnel who provide advisory services from participating in initial public offerings. The code of ethics also requires our personnel to provide annual holdings reports and transaction reports on a quarterly basis. In addition, we have a written insider trading policy that is designed to prevent the improper use of material nonpublic information.

## **Brokerage Practices**

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### **Selecting Broker-Dealers**

Bourgeon generally directs the buying and selling of securities in managed accounts on a discretionary basis. This discretion typically includes the security, the quantity of the security, and the broker-dealer through which a trade will be executed. Our clients pay commissions, markups, and markdowns to broker-dealers based on the quality and type of service provided. While relationships are maintained with several broker-dealers, one firm may receive the majority of the commissions, markups, and markdowns generated. Broker-dealers are selected based upon their overall assistance in terms of execution capabilities and research services, as long as we perceive their commission schedules to be competitive with other firms that provide similar services. In some cases, federal and state laws (such as the Employee Retirement Income Security Act of 1974) may limit or restrict our selection of broker-dealers.

Bourgeon is independently owned and operated and is not affiliated with any broker-dealer. While we may recommend that clients establish an account at Schwab, it is the decision of the client to establish the account. We permit clients to direct our firm as to the broker-dealers to be used. Not all advisors permit or require their clients to direct brokerage.

We receive non-monetary benefits, including research services, from broker-dealers in consideration for using their services in executing securities transactions. Research services may include reports on economic and political developments and portfolio strategies, industry and company information, opinions regarding capital market conditions (including market prices, news, and trading information), economic projections, information about recommended asset allocations and portfolio structures, investment reports, and compilations of corporate earnings estimates. Research products typically address a variety of matters, including (1) analyses of industries, companies, economic factors, and business and market trends, (2) assistance in pricing securities, (3) information on the availability of securities, and (4) conference-call transcripts. We use research services in connection with the

services that we provide to all clients, not just those who maintain accounts with the broker-dealer that provides the research.

Obtaining research and other benefits from broker-dealers benefits Bourgeon because we do not have to pay for the research, products, and services or to produce them internally. In addition, Bourgeon may have an incentive to select a broker-dealer to receive research or other services, rather than choosing the broker-dealer that will provide the most favorable execution for the client. We mitigate this potential conflict of interest by selecting only broker-dealers whose commission schedules we perceive to be competitive with other firms that provide similar services.

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### **Directed Brokerage**

Managed-account clients may direct Bourgeon in writing to use one or more designated broker-dealers for executing transactions in their accounts. Managed-account clients who choose to direct brokerage activity may pay commissions that are less favorable than those paid by other clients for whom Bourgeon is free to select the broker-dealer. Generally, orders for clients who direct their brokerage activity cannot be aggregated with other client orders. As a result, the price received on the trade may differ. Bourgeon has no duty to seek best execution with respect to accounts for which the client has designated brokerage. If the designated broker-dealer played a role in introducing or referring a client to Bourgeon, then Bourgeon may face a conflict of interest that reduces our incentive to seek the lowest possible commission, markup, or markdown. It is unusual for broker-dealers to introduce or refer clients to Bourgeon. Consequently, we will address any conflict of interest that arises as a result of referrals on a case-by-case basis.

Many broker-dealers have established a minimum ticket charge for each transaction. The cost of executing a smaller transaction through a client-directed broker-dealer may be greater as a result of a minimum ticket charge. In addition, because we may be unable to achieve the most favorable execution of securities transactions when a client directs brokerage, this practice may cost clients more money.

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### **Best Execution**

Unless otherwise directed by the client, our firm selects the broker-dealers used to effect securities transactions. Our choice of broker-dealers is based on a number of factors, including but not limited to perceived financial strength, familiarity with the security to be purchased or sold, execution skill, order-flow capacity, commission or other fee arrangements, quality of custodial services, and willingness to execute difficult transactions from time to time. In addition, we consider factors such as online access to computerized data regarding client accounts and the availability of stock to borrow for short sales. Consistent with our duty to seek best execution for client accounts in which the client has not directed brokerage, we have determined in good faith that the commission levels charged by the broker-dealers that we choose, while perhaps not the lowest available commission levels, are reasonable in light of the value of the brokerage and other services (including research services) that the broker-dealers provide. In reaching this conclusion, we have considered not only the particular transactions involved but also our overall responsibility to seek best execution.



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## **Prime Brokerage**

Bourgeon has entered into prime-brokerage relationships with Schwab, Evercore Group L.L.C., J.P. Morgan Clearing Corp., Pershing LLC, and Piper Sandler. Pershing LLC clears for BTIG, LLC. Unless a client specifically directs otherwise, one of these prime brokers clears transactions in managed accounts. Our prime brokers provide custodial services to clients and report securities positions to Bourgeon.

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## **Trade Allocation Policy**

It is our policy to treat all client accounts fairly and equitably. We strive not to favor one client or one group of clients over another client or another group of clients. To handle all client transactions in the manner that is fair and cost effective, we often aggregate transactions executed through a broker-dealer for suitable discretionary client accounts to obtain a better price for the security being bought or sold. In other words, we purchase or sell a larger quantity of the security in a single transaction and then allocate the quantity among participating client accounts, rather than executing multiple transactions in the same security for individual client accounts. Each client participates in the aggregated order at the average price. Trade aggregation generally saves clients money because smaller orders may incur a minimum ticket charge, and it ensures more uniformity in the prices at which a particular security is purchased or sold for our clients. Allocation of an aggregated order to particular client accounts generally occurs in advance of the placement of the order. Aggregated trades may include orders for the personal securities accounts of Bourgeon personnel and their related persons.

When an aggregated order is not filled by the end of a trading day, we generally allocate the quantity of securities that were purchased or sold among the participating client accounts on a basis relative to the percentage of the aggregated order that the allocation to the particular client constituted. For example, if 5% of the aggregated order were allocated to a particular client account, then that account would receive 5% of the order as filled. We also take into consideration the reduction of positions that are over weighted and the avoidance of small lots. Trades placed through other broker-dealers may receive different prices, and multiple trades (whether or not aggregated) may be placed with multiple broker-dealers.

When a broker-dealer executes an aggregated client order in more than one transaction during a trading day, it automatically determines the average price to be received by each client in the aggregated order. For example, if half of the order is filled at one price in the morning and the balance is filled at a higher price in the afternoon, then each client will receive his or her allocation of the aggregated order at the average price of the two transactions. We are generally able to fill the entire aggregated order for fixed-income securities at a single price, because the broker-dealer will confirm that it has sufficient inventory to fill the order prior to order placement.

Clients who have directed Bourgeon to use a broker-dealer other than Schwab will not participate in aggregated trades. Because we may be unable to achieve the most favorable execution of securities transactions by aggregating trades when a client directs brokerage, directed brokerage may result in higher costs for the client.

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## **Trade Error Policy**

On occasion, we may experience errors with respect to trades made on behalf of client accounts. We endeavor to detect trade errors and to correct them in an expeditious manner, generally prior to settlement. We will reimburse client accounts for settled losses directly due to uncorrected trade errors attributable to our personnel. Trade errors are frequently booked to our error account with a particular broker-dealer, so that no client account is impacted.

## **Review of Accounts**

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### **Periodic Reviews**

Mr. Zaro and Ms. Drynan are responsible for reviewing all client accounts. Our reviews are geared toward preservation of capital with a view toward enhancing after-tax net worth, consistent with the risk tolerance and objectives defined by the client. Overall performance of client accounts is reviewed monthly. Accounts with performance outside of the typically observed range for the month are analyzed in greater depth.

A client may meet in person or by telephone with Mr. Zaro or Ms. Drynan to review an account on a quarterly or more frequent basis. Bourgeon arranges to meet with each client receiving retirement-plan advice at least once a year to discuss asset-allocation strategies.

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### **Review Triggers**

Client inquiries, changes in the general market outlook, changes in the tax laws, new investment information, changes in the financial situation of a client, and changes in the opinions of Mr. Zaro and Ms. Drynan on specific issues may prompt periodic reviews of some or all client accounts.

We proactively review all client accounts when significant changes in market conditions or changes in the tax law occur. A client should notify us promptly upon any important changes in his or her personal or financial situation or if he or she believes that changes in economic factors may impact his or her financial position.

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### **Regular Reports**

A managed-account client receives monthly statements from his or her account custodian. Clients may request to receive written reports generated by our internal reporting systems in addition to statements provided by the custodian. Clients are urged to compare Bourgeon account reports with statements provided by the account custodian to verify accuracy. Quarterly performance is presented in client letters. Bourgeon may also provide additional presentations to managed-account clients to discuss performance and investment outlook. Upon request, we will prepare written reports for clients receiving retirement-plan advice.

## **Client Referrals and Other Compensation**

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This item is not applicable.

## **Custody**

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All client funds and securities are held at qualified custodians, which maintain the actual custody of client assets. Bourgeon is deemed to have custody of the assets of managed-account clients because we typically have the authority under the investment management agreement to debit advisory fees directly from managed accounts. In addition, Bourgeon is deemed to have custody if a client receives retirement-plan advice from Bourgeon and authorizes Bourgeon to deduct its advisory fee for this advice from the managed account. Bourgeon may also be considered to have custody of the assets of a managed-account client who has entered into a standing letter of authorization for third-party money movement. Other circumstances may also cause Bourgeon to be deemed to have custody.

We periodically confirm that these custodians provide or make account statements available electronically at least quarterly. Most custodians provide or make statements available monthly. Account statements are generally sent directly to each client at his or her address of record or to an electronic mail address that has been specified to the custodian. If the client prefers, the account statements may be posted to a secure website. All clients should carefully review account statements when they are received. In addition, clients are urged to compare the account statements received directly from account custodians to any reports provided by Bourgeon.

## **Investment Discretion**

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We generally have discretionary authority to manage securities accounts on behalf of clients. In these instances, we have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades in client accounts on behalf of clients so that we may promptly implement our investment strategies. Bourgeon does not have investment discretion with respect to retirement-plan assets unless the client has specifically granted discretion in writing. Many clients grant Bourgeon a limited power of attorney, which is an authorization that gives us authority to purchase and sell securities in a managed account.

## **Voting Client Securities**

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### **Proxy Voting**

We have adopted written proxy-voting policies and procedures. Our clients generally grant us the exclusive right to vote proxies on their behalf, except that a client retains the right to vote as a shareholder of the mutual funds or ETFs held in his or her account. The Employee Retirement Income Security Act of 1974 may also impose voting restrictions. To the extent that a client retains proxy-voting authority or has specific instructions regarding proxy voting, we record this consideration

in the investment management agreement or the investment policy statement. Our proxy-voting procedures are available upon request to any client. Also available upon request to any client is a record of how we have voted proxies for the client.

Bourgeon has engaged the Proxy Edge service provided by Broadridge Financial Solutions to act on its behalf in voting proxies. Glass, Lewis and Co., LLC provides proxy-voting recommendations through the Broadridge platform. Each proxy is voted in accordance with the standard policies of Glass Lewis, unless Bourgeon feels that the recommended vote is not in the best interest of a client. In those instances in which Bourgeon considers it to be in the best interest of the client to vote differently, the rationale is documented. In some cases, such as when the proxy materials are in a language other than English, the expense of obtaining a translation may mean that the best interests of the client are served by our not voting the proxy.

Bourgeon has no responsibility to initiate, consider, or participate in any bankruptcy, class action, or other litigation against or involving any issuer of securities held or formerly held in any client account or to advise or take any action on behalf of any client with respect to any litigation.

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### **Conflicts of Interest**

If a matter to be voted upon were to involve a potential conflict of interest, Mr. Zaro or Ms. Drynan would consult with each other prior to contacting the client to describe the conflict presented. The proxy would then be voted in accordance with the instructions of the client.

### **Financial Information**

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This item is not applicable.

### **Requirements for State-Registered Advisors**

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This item is not applicable.

### **Brochure Supplement**

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#### **Educational Background and Business Experience**

The individuals discussed in this brochure supplement have earned professional designations that are explained in further detail here.

The CFA charterholder professional designation, or CFA®, is sponsored by CFA Institute. To earn a CFA charter, a candidate must pass the three CFA examinations, achieve qualified professional work experience, submit reference letters, apply to become a charterholder, apply to become a regular member of CFA Institute, and complete a professional conduct statement. Charterholder membership must be renewed each year.

The certified financial planner professional designation, or CFP®, is administered by the CFP Board. The designation seeks to identify those individuals who are qualified to help their clients develop and implement plans to achieve their financial goals. CFP® professionals must pass the CFP® examination, meet the experience requirement, submit to a background check, and pass the CFP Board's fitness standards. To renew the CFP® certification each year, one must pay a certification fee, submit a renewal application, and confirm adherence to the CFP Board's code of ethics and standards of conduct. Continuing education is required every two years.

The chartered investment counselor professional designation, or CIC, is awarded by the Investment Adviser Association (the "IAA"). The charter was designed to recognize the special qualifications of persons employed by IAA member firms whose primary duties involve investment counseling and portfolio management. A key educational component of the program is the requirement that candidates hold the CFA® charterholder designation. In addition, the designation requires candidates to demonstrate at least five cumulative years of experience in a position performing investment counseling and portfolio management responsibilities. Candidates must provide work and character references, must endorse the standards of practice of the IAA, and must provide professional ethical information.

**John A. Zaro, III, CFA®, CIC**

Born 1957

BA, Political Science and Economics, Stanford University, 1980

CFA Charterholder, 1992

Chartered Investment Counselor, 2014

Mr. Zaro founded Bourgeon in 1999. He is its managing member and its chief compliance officer. From 1997 to 1999, Mr. Zaro was chief investment officer and a managing director of Warburg Pincus Asset Management, Inc. in New York, New York. From 1991 to 1997, he was a portfolio manager and vice president at J.P. Morgan Investment Management in New York, New York. From 1984 to 1991, Mr. Zaro was a vice president at Morgan Stanley Smith Barney LLC.

**Laura K. Drynan, CFA®, CIC, CFP®**

Born 1968

BS, Mandarin Chinese, Georgetown University, *summa cum laude*, 1990

The Phi Beta Kappa Society

CFA Charterholder, 1994

Chartered Investment Counselor, 2014

Certified Financial Planner, 2016

Ms. Drynan has served as a portfolio manager of Bourgeon since 2010. From 2003 to 2010, she was president and chief investment officer of Barbenco Investment Advisors in Stamford, Connecticut. From 1999 to 2003, Ms. Drynan was raising her family. From 1990 to 1999, she was a vice president in equity research at Credit Suisse First Boston in New York, New York.

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**Disciplinary Information**

This item is not applicable.

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**Other Business Activities**

This item is not applicable.

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**Additional Compensation**

This item is not applicable.

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**Supervision**

Mr. Zaro supervises Bourgeon personnel. Because the vast majority of clients grant discretionary authority to Bourgeon, our personnel render investment advice primarily by effecting transactions in client accounts rather than by recommending transactions to clients for their approval. Questions relating to the supervision of Bourgeon personnel may be addressed to Mr. Zaro, its managing member, at (203) 280-1170.

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**Requirements for State-Registered Advisors**

This item is not applicable.