

Part 2 of Form ADV: Firm Brochure

Item 1 Cover Page

Investment Advisor

Drystone LLC
4301 Ivy Road Box 442
Ivy, VA 22945-0442

annual amendment dated:
12/31/2023

contact:
Christopher H. Jackson, CFA
Manager; Chief Compliance Officer

phone: 434.872.3168

This Form ADV Part 2 - Brochure provides information about the qualifications and business practices of Drystone LLC (hereafter referred to as "Drystone" or "the firm"). If you have any questions about the contents, please contact Drystone at 434.872.3168. The information in this Brochure has not been approved or verified by the U.S. Securities & Exchange Commission (SEC) or by any state securities authority. Additional information about Drystone is also available on the SEC's website at www.adviserinfo.sec.gov.

In this Form ADV Part 2 - Brochure, Drystone uses the terms "investment advisory representative," "supervised person," "manager," "associated person" or "related person" interchangeably and all defined as Drystone employee(s) who are responsible for firm management decisions and investment decisions on behalf of clients.

Item 2 Material Changes

Date of previous Annual Update to Form ADV: 12/31/2022

From 12/31/2022 to 12/31/2023, the following material changes occurred:

Change in address reported in an Other-than-Annual Update to Form ADV on 7/14/2023. Current address as reported in that Update is shown on page 1 of this Part 2 brochure Item 1.

Change in year-end total assets under management noted on page 7 of this Part 2 brochure Item 4 - Advisory Business.

No other material changes.

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Drystone began operations on 7/1/2008. Christopher H. Jackson is founder and currently sole LLC Member (principal owner) and Manager.

Drystone is an independent investment counsel, defined as an investment advisory firm offering continuous supervision and management of client investment portfolios and not affiliated with any other firm. Drystone reviews client portfolios on a continuous basis, i.e., throughout the year and on any given day, to reaffirm the appropriateness of each securities position owned and of each overall portfolio profile (asset allocation or mix of asset categories, percentage sizes of different positions, etc.) in the context of each client's written Statement of Investment Objectives (SIO) Snapshot and to reflect Drystone's most current investment opinions and analysis.

Drystone prepares a customized Statement of Investment Objectives (SIO) Snapshot for each client and tailors its management of each client's portfolio to that client's SIO. A client may impose restrictions on investing in certain securities or types of securities by instructing Drystone to include those restrictions in the SIO.

Drystone does not participate in any "wrap fee" programs.

Additional information on Drystone's continuous supervision and management of client investment portfolios and information on Drystone's use of the terms "Portfolio Counseling" and "Concentrated Investments" follows:

Drystone LLC delineates - in its discussions with clients, its client Investment Management Agreement (a.k.a. contract), its written reports, & fees - between two aspects of investment supervisory services: Portfolio Counseling & Concentrated Investments.

Portfolio Counseling encompasses all activities related to investment supervision of client portfolios including the following processes:

- 1) a comprehensive question/answer discussion between Drystone and client about client's financial circumstances and needs for the portfolio and Drystone's projections of securities markets' behavior;
- 2) a written Statement of Investment Objectives ("SIO") Snapshot for each client portfolio referencing info in Drystone's files as to client's financial circumstances, Drystone's return expectations, risk definition/tolerance, time horizon, spending/liquidity needs, pertinent tax/trust/estate planning context, pertinent client legal or regulatory responsibilities (if any),

any unique client considerations (e.g., charitable/personal gifting, client constraints on purchasing specific securities, etc.), and the target asset allocation (% stocks v. % bonds et al.) ranges for that portfolio;

3) continuous screening and analysis of a wide array of securities - including common stocks, exchange-traded funds (ETF's), bonds, etc. - on a number of criteria - including the earnings, cashflow, dividend/interest yields, corporate management quality, industry dynamics, sensitivity to the general business cycle, valuation metrics such as price-earnings ratios or cashflow yields, discounted cashflow (DCF) estimates of intrinsic value, volatility, correlation with other assets, etc. - to assess investment potential and suitability for client portfolios;

4) all purchases, monitoring and sales of securities suitable to/in accordance with each client's SIO and in percentage allocations which balance both the investment attractiveness of each security and its suitability per the client's SIO;

5) periodic reporting of all positions held, transactions made, and total return performance achieved in each client portfolio;

6) updating the SIO Snapshot and portfolio to reflect any changes in client's financial circumstances or portfolio needs or to reflect whether Drystone has met the benchmarks and client expectations articulated in the original SIO.

Concentrated Investments is one sub-set or activity within the overall investment supervision of client portfolios. During the screening and analysis of a wide array of securities (see step 3 previous paragraph), Drystone categorizes certain potential investments as either Diversified Investments or Concentrated Investments and then labels them accordingly in its reports:

Diversified Investments draw from asset classes and market sectors which Drystone deems as attractive and appropriate to complete a client's overall portfolio, but where the opportunity for individual security/investment selection to outperform or add significant value above the attractive and appropriate risk-return profile of a low-cost benchmark index vehicle is either too minimal or too uncertain in Drystone's opinion. In these cases, Drystone applies the appropriately thorough level of screening and analysis cited above to identify and then purchase and monitor broad index or diversified buy-and-hold investments in client portfolios. Some examples of Diversified Investments: investment-grade regular and inflation-protected bonds; broadly-diversified index exchange-traded funds (ETF's).

Concentrated Investments arise when Drystone perceives a potential opportunity to add a superior risk-return profile or significant value above a benchmark index through further in-depth and intensive analysis and then purchase and monitor for client portfolios of certain specific securities. The additional analysis devoted to Concentrated Investments selection (above and beyond the screening and analysis conducted for Diversified Investments) includes critical reading of corporate 10-K annual reports/SEC filings and proxies, review of competitors and customers, discounted cashflow (DCF) spreadsheet calculations to substantiate valuations, corporate shareholder/analyst conference calls, etc. The term "Concentrated" refers to the additional analysis and selection criteria and the use of a less-diversified allocation to individual securities positions and does not necessarily indicate a more rapid level of portfolio turnover

(trading), a shorter time horizon, nor a fundamentally more aggressive or risk-seeking investment philosophy/process than that employed for Diversified Investments.

Types of portfolio assets which Drystone may designate as Concentrated Investments include, but may not be limited to: common stocks, American Depositary Receipts/Shares (ADR/ADS), and other individual equity securities. Drystone retains sole discretion to designate the portion of portfolio assets to be described as Concentrated Investments and to apply or remove such designation at any time, but a client and/or Drystone may include targets or guidelines for that portion as a percentage of total portfolio assets in the SIO or other client documentation; Drystone will label the Concentrated Investments portion of portfolio assets as such on the portfolio reports which Drystone prepares and provides to client; and Drystone will communicate to client verbally and/or in writing Drystone's rationale for designating as Concentrated Investments any types of securities, investment vehicles or portfolio assets other than types specified in this paragraph.

The percentages of each portfolio allocated to Diversified Investments and Concentrated Investments will vary over time depending in part on general market conditions and the individual opportunities Drystone perceives as available in the securities markets. Also, for risk management purposes, Drystone and each client explicitly pre-establish a suitable target percentage allocation range for Concentrated Investments in each SIO, i.e., the SIO limits what portion of each portfolio Drystone can direct to securities designated as Concentrated Investments. This helps to address any Drystone conflict of interest and preclude an unsuitable overweighting of Concentrated Investments beyond the level deemed appropriate and prudent per a client's circumstances.

*Regarding the periodic non-discretionary consultation services mentioned in Form ADV Part 1 Item 5.E.7. :

During 2011, one existing Drystone investment advisory client, for reasons unrelated to his relationship with Drystone, had to place certain assets into an account in which only the client, NOT Drystone, can place trades and which is restricted to a menu of mutual funds NOT selected by Drystone and which is NOT subject to continuous supervision by Drystone and NOT included in the regulatory assets under management tally in Item 2. The client requested that Drystone provide periodic consultation and comment regarding the client's own mutual fund choices in this new account, but the client alone makes all investment decisions for and implements all trades in the non-Drystone mutual fund account. Drystone agreed and entered into a separate non-discretionary consultation agreement with the client. Drystone did this as a single exception in recognition of an existing client's special circumstances in having to transfer a portion of his assets into a non-Drystone mutual fund-only account. As of the most recent year-end, Drystone continues to provide this client periodic consultation and comment on his mutual fund choices in his non-Drystone account. In all other client relationships Drystone remains a fully discretionary investment manager and does NOT offer non-discretionary

advisory services to any existing or prospective client. Please note: Drystone also continues to manage a traditional fully-discretionary portfolio in a separate account for this same client, and those discretionary managed assets are included in the regulatory assets under management reported in Form ADV Part 1. The client is only counted once in the total number of clients and accounts reported in Form ADV Part 1 Item 5.D & 5.F.

As regards the use of the terms “discretionary” and “non-discretionary” above:

Discretionary means that Drystone makes all portfolio decisions in accordance with each client's SIO but places securities transactions on clients' behalf without seeking client pre-approval prior to placing those transactions. Non-discretionary would mean that Drystone would make recommendations, verbally and in writing, to a client regarding purchases, sales, asset mix, and other portfolio investment decisions, but the client would make the final decision him/herself whether or not to follow all, a portion, or none of Drystone's advice.

With the single exception of the consultation services to one client noted in the preceding paragraphs of this Item 4 response, Drystone has remained exclusively a discretionary investment manager and does NOT intend to offer non-discretionary advisory services to any existing or prospective client.

See Item 16 Investment Discretion for further discussion.

As of 12/31/2023, Drystone managed \$124.4 million (all \$124.4 million in discretionary portfolios; \$0 in non-discretionary portfolios).

Item 5 Fees and Compensation

Drystone's sole compensation is investment management/advisory or consultation fees calculated as a percentage of the assets under management.

Fees are debited quarterly from custodian account pursuant to language included in the Drystone Investment Management Agreement, or contract, signed by client and by an officer of Drystone and pursuant to a standing fee debit authorization included in the separate broker-custodian account application completed and signed by client. Drystone mails client a fee calculation spreadsheet (invoice) showing the detailed calculation and amount of fees at least 5 business days prior to debit from Custodian account and includes a cover note encouraging the client to raise any questions prior to debit. Drystone debits all fees from custodian accounts and does not offer clients the choice of paying separately via check.

Drystone breaks its investment management fees down into two categories: Portfolio Counseling fee and Concentrated Investments fee. Please refer to Items 4 and 8 for more detail on Drystone's definition of Portfolio Counseling and Concentrated Investments. The fee calculation spreadsheet provided to client distinguishes between Portfolio Counseling and Concentrated Investments by showing the value of both the client's Total Portfolio and the Concentrated Investments sub-set and fee amounts calculated as follows.

The Investment Management Fees schedule for all new clients who had not executed a Drystone Investment Management Agreement prior to 7/1/2011 is:

Portfolio Counseling Fee – applies to each Client's entire portfolio under management

0.70 % per year on the first \$ 5 million in Total Portfolio assets under management

0.50 % per year on the next \$ 20 million in Total Portfolio assets under management

0.30 % per year on the balance over \$ 25 million in Total Portfolio assets under management

Additional Concentrated Investments Fee

– applies only to the Concentrated Investments portion of each Client's portfolio

0.45 % per year on first \$ 5 million in Portfolio assets designated as Concentrated Investments

0.30 % per year on next \$ 20 million in Portfolio assets designated as Concentrated Investments

0.15 % per year on balance over \$ 25 million in Portfolio assets designated as Concentrated Investments

Fee Cap: total Fees will not exceed a rate of 0.25% per quarter (i.e., annualized 1% per year)

– applies to the total amount of Portfolio Counseling Fee plus Concentrated Investments Fee

If the total Fees rate (i.e., total Fees amount ÷ Total Portfolio assets under management) for any quarterly billing date as calculated according to the above schedules exceeds 0.25% of the Total Portfolio value on that billing date (equivalent to an annualized rate of 1% per year), Manager will not invoice Client for the calculated total Fees amount but will instead reduce the total Fees amount invoiced for that quarterly billing period to an amount that equals 0.25% of the Total Portfolio value on that billing date (equivalent to an annualized rate of 1% per year).

Hypothetical examples of potential annualized Fees rate: If a Portfolio were valued at \$1 million including \$335,000 in Concentrated Investments through each of four quarterly billing dates in a given year, the total Fees charged for that year would add up to a rate of $0.70\% \times \$1,000,000 + 0.45\% \times \$335,000 = \$8,508$ or 0.85%. If a Portfolio were valued at \$1 million including \$665,000 in Concentrated Investments, the total Fees would add up to $0.70\% \times \$1,000,000 + 0.45\% \times \$665,000 = \$9,993$ or 1.00%. If a Portfolio were valued at \$1 million all in Concentrated Investments, total Fees for that year would be limited to (a.k.a. capped at) \$10,000 or 1.00%.

* * *

These two fees are not mutually exclusive, i.e., each Drystone client pays the Portfolio Counseling Fee on the value of his/her entire Total Portfolio and also pays the Concentrated Investments Fee on the value of that portion, or sub-set, of his/her portfolio designated as Concentrated Investments.

* * *

For all clients who first executed an Investment Management Agreement with Drystone prior to 7/1/2011, the Portfolio Counseling + Concentrated Investments fee schedule contains % fee rates and assets under management breakpoints different from those in the schedule above. Drystone does not offer the pre-7/1/2011 schedule to any new client who had not executed a Drystone Investment Management Agreement prior to 7/1/2011.

* * *

For the single account mentioned in Item 4 to which Drystone is providing non-management consultation services, the consultation fee schedule contains % fee rates different from those in the schedule above. As indicated in Item 4, Drystone does not offer consultation services or the consultation fee schedule to any other client.

* * *

Fees are not negotiable. There are no Drystone fee schedules or arrangements other than those noted above, and Drystone offers no discounts nor exceptions to any client.

* * *

Drystone does not apply a minimum dollar amount fee.

* * *

Drystone debits its quarterly fees midway through each calendar quarter of service based on portfolio values at the end of the prior calendar quarter. Therefore, the portion of the fee attributable to the second half of each calendar quarter of service is billed in advance of service provided. If a client terminated during the latter part of a calendar quarter (i.e., after that quarter's fee had already been debited), Drystone would issue a check payable to client for the

prorated refund amount calculated as follows: $\text{refund} = \text{original quarterly fee debit amount} \times (\text{remaining days from termination date to quarter-end} \div \text{total days in quarter})$.

* * *

Drystone's only compensation is the investment management or consultation fees described above. Other costs not payable to Drystone but which clients may incur are: brokerage commissions charged by the broker-custodian executing trade orders entered by Drystone, internal operating expenses of any mutual fund or exchange-traded funds held in client portfolios, markups/markdowns (adjustments to price) charged by broker-custodian on certain bond purchases/sales. Custodian currently used by all Drystone clients does not charge clients any custody fees, i.e., no fees other than transaction charges and money market mutual fund operating expenses and no fees assessed simply for maintaining custody at custodian. Please refer further to Item 12.

* * *

Drystone and its supervised person(s) do not accept sales commissions or similar compensation for the sale of securities or investment products.

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

N/A - Drystone and its supervised person(s) do not receive performance-based fees.

Item 7 Types of *Clients*

Drystone currently manages portfolios for taxable individuals, various types of trusts, IRA's, a charitable family foundation, a client's non-operating limited partnership and LLC investment accounts established for family estate planning purposes.

Drystone's founder and manager has in the past also managed portfolios for taxable corporate accounts, endowments, and corporate retirement plans and believes that Drystone's services would be appropriate to those and other types of client portfolios.

Drystone does not require a minimum portfolio size to open or maintain a portfolio, and Drystone has specific procedures in its Compliance Policy/Code of Ethics to ensure that smaller client portfolios receive fair and equitable treatment consistent with the treatment which larger portfolios receive, e.g., in the execution prices paid and received for securities purchases and sales.

Drystone manages separate portfolios that are diversified (i.e., not heavily reliant on any one type of security) and specific to each client's objectives, but Drystone employs one method of analysis and investment strategy common to all the portfolios which the firm manages and which could be best described as "income and growth at a reasonable (or better) price," i.e., Drystone estimates an intrinsic, or fair value, for equity-oriented investments (e.g., common stocks) and a fair yield for income-oriented investments (e.g., bonds) using fundamental security analysis and then seeks to purchase when securities are trading below those estimated fair levels.

In more detail, Drystone's "income and growth at a reasonable (or better) price" method of analysis and investment strategy involves continuous screening and analysis of a wide array of securities - including common stocks, exchange-traded funds (ETF's), bonds, etc. - on a number of criteria - including the earnings, cashflow, dividend/interest yields, corporate management quality, industry dynamics, sensitivity to the general business cycle, valuation metrics such as price-earnings ratios or cashflow yields, discounted cashflow (DCF) estimates of intrinsic value, volatility, correlation with other assets, etc. - to assess investment potential and suitability for client portfolios.

During the screening and analysis of a wide array of securities, Drystone categorizes and labels certain potential investments as either Diversified Investments or Concentrated Investments, as explained in Item 4 and reiterated below:

1) Diversified Investments draw from asset classes and market sectors which Drystone deems as attractive and appropriate to complete a client's overall portfolio and seek to outperform a broad total portfolio benchmark, but where the opportunity for individual security selection to outperform or add significant value above the attractive and appropriate risk-return profile of a low-cost benchmark index vehicle is either too minimal or too uncertain in Drystone's opinion. In these cases, Drystone applies the appropriately thorough level of screening and analysis cited above to identify and then purchase and monitor broad index or diversified buy-and-hold investments in client portfolios. Some examples of Diversified Investments: investment-grade regular and inflation-protected bonds; broadly-diversified index exchange-traded funds (ETF's).

2) Concentrated Investments arise when Drystone perceives a potential opportunity to add a superior risk-return profile or significant value above a benchmark index through further in-depth and intensive analysis and then purchase and monitor for client portfolios of certain specific securities. The additional analysis devoted to investment selection (above and beyond the screening and analysis conducted for Diversified Investments) includes critical reading of corporate 10-K annual reports/SEC filings and proxies, review of competitors and customers, discounted cashflow (DCF) spreadsheet calculations to substantiate valuations, corporate shareholder/analyst conference calls, etc. Examples of Concentrated investments: individual common stocks meeting very specific criteria; targeted use of non-diversified sector-specific

index exchange-traded funds (ETFs). The term "Concentrated" refers to the additional analysis and selection criteria and the use of a less-diversified allocation to individual securities positions and does not necessarily indicate a more rapid level of portfolio turnover (trading), a shorter time horizon, nor a fundamentally more aggressive or risk-seeking investment philosophy/process than that employed for Diversified Investments.

Types of portfolio assets which Drystone may designate as Concentrated Investments include, but may not be limited to: common stocks, American Depositary Receipts/Shares (ADR/ADS), and other individual equity securities. Drystone retains sole discretion to designate the portion of portfolio assets to be described as Concentrated Investments and to apply or remove such designation at any time, but a client and/or Drystone may include targets or guidelines for that portion as a percentage of total portfolio assets in the SIO or other client documentation; Drystone will label the Concentrated Investments portion of portfolio assets as such on the portfolio reports which Drystone prepares and provides to client; and Drystone will communicate to client verbally and/or in writing Drystone's rationale for designating as Concentrated Investments any types of securities, investment vehicles or portfolio assets other than types specified in this paragraph.

The percentages of each portfolio allocated to Diversified Investments and Concentrated Investments will vary over time depending in part on general market conditions and the individual opportunities Drystone perceives as available in the securities markets. Also, for risk management purposes, Drystone and each client explicitly pre-establish a suitable maximum percentage allocation for Concentrated Investments in each Statement of Investment Objectives Snapshot (SIO – see Item 4 for further discussion of SIO's), i.e., the SIO limits what portion of each portfolio Drystone can direct to securities designated as Concentrated Investments. This helps to address any Drystone conflict of interest and preclude an unsuitable overweighting of Concentrated Investments beyond the level deemed appropriate and prudent per a client's circumstances.

PLEASE NOTE THAT INVESTING IN SECURITIES INVOLVES RISKS:

Regardless of Drystone's efforts to address and limit each portfolio's exposure to risks in accordance with each client's Statement of Investment Objectives (SIO) Snapshot, any investment in securities remains subject to risks at all times. Common risks include but are not limited to:

- the risk of permanent loss of principal (losing money);
- purchasing power erosion risk (inflation);
- volatility (period-to-period swings in the market price of an investment);
- illiquidity (difficulty in purchasing/selling or a persistent gap between the ask (purchase) price and a lower bid (sale) price for securities that do not trade in high volume every trading day).

Drystone's "income and growth at a reasonable (or better) price" method of analysis and investment strategy involves a material risk of volatility, i.e., period-to-period swings in value at the individual security level and overall portfolio level. This strategy involves material risk

of loss of principal at the individual security level and, despite diversification, moderate risk of loss of principal at the overall portfolio level. Drystone seeks specifically to mitigate purchasing power erosion in portfolios, but many Drystone investments still face moderate inflation risk. Drystone invests a limited portion (typically no more than 10-15% of a portfolio) in thinly-traded small company stocks which bear a limited risk of illiquidity in that portion of portfolios.

Drystone does not engage in frequent trading of securities.

Item 9 Disciplinary Information

N/A - Neither Drystone nor its supervised person(s) have been the subject of any legal or disciplinary proceedings.

N/A - Drystone is an independent investment counsel only, meaning that...

...Drystone and its supervised person(s) have no affiliations with other firms.

...Drystone is not registered or planning to register as a broker-dealer.

...Drystone is not registered or planning to register as a commodities futures trading advisor.

...Drystone has no material arrangements with other advisers et al. and does not select other investment advisers for clients.

...Drystone recommends to clients that they retain Schwab Advisor Services, a division of Charles Schwab & Co., as a third-party broker-custodian to provide brokerage and custody of the assets managed by Drystone, but Drystone is not affiliated with Schwab and does not receive any referral fees or other financial compensation from Schwab in return for recommending Schwab's services as broker-custodian or for any other reason. Clients contract with Schwab separately from Drystone, and clients may maintain their relationship with Schwab independent of continuing their relationship with Drystone, i.e., a client could terminate his/her Investment Management Agreement with Drystone without closing his/her Schwab broker-custodian account or vice versa. See Item 12 for further information.

As part of its employee Compliance Policy, Drystone maintains a written Code of Ethics. The Code of Ethics covers an array of factors which reflect Drystone's fiduciary responsibility to its clients and general standards of professional conduct, including employee trading in securities also recommended to clients, employee receipt of material nonpublic information, Drystone's relationship with unaffiliated vendors of account services, gifts, etc. Drystone provides any client or prospective client a copy of the firm's Code of Ethics upon request.

Drystone and its employees do not act as principal buying or selling securities positions from their own accounts to clients, but do own the same or similar securities. The Code of Ethics requires that employees provide the Drystone Chief Compliance Officer (CCO) copies of their personal brokerage account statements and also states the following as regards the conflict of interest related to personal trading:

"Personal Trading circumstances specific to Drystone ("Anti-Frontrunning")

It is an integral part of Drystone LLC's operating philosophy that the firm's investment advisory representatives giving investment advice to clients should own most or all of the same securities which they recommend to clients. Drystone calls this "co-investing." Drystone recognizes, however, that co-investing presents a conflict of interest in that investment advisory representatives could, if allowed to frontrun, i.e., deliberately and systematically purchase/sell for their own accounts immediately prior to purchasing/selling the same securities for client accounts, act to the detriment of the prices received for client accounts. To prevent the frontrunning conflict of interest from being realized, Drystone LLC explicitly forbids frontrunning in this Code of Ethics. Drystone Associated Persons should not place Personal Securities Transaction purchase and sale orders for a particular security immediately prior to purchasing/selling the same security for client accounts. If the decision is made to make initial purchases of a particular security across all or multiple Drystone client accounts, Drystone Associated Persons should wait to place any new Personal Securities Transaction purchases of the same security in their own or Family/Household accounts until immediately after completing the initial purchases across the client accounts. Similarly, if the decision is made to eliminate a particular security out of all or multiple Drystone client accounts, Drystone Associated Persons should wait to place the matching sale transaction in their own or Family/Household accounts until immediately after completing the sales across the client accounts. The only alternative to waiting to place Personal Securities Transactions until after completing client trades that Drystone will allow is placing the Personal Securities Transactions at the same time and as part of the same simultaneous aggregate transaction, a.k.a. block trade, as executed in all participating client accounts – and only when doing so either will not affect the average price applicable to all client transactions or will improve the price applicable to all client transactions (i.e., decrease the purchase price paid by clients or increase the sale price received by clients). Drystone's Chief Compliance Officer (CCO) prefers that all client securities trades and all Associated Persons' Personal Securities Transactions be entered via a broker-custodian trading platform which time-stamps each transaction, i.e., records the exact intraday time of submission and/or execution of each transaction. This is helpful in confirming

that Drystone Associated Persons can honor the operating philosophy of co-investing while still avoiding even the appearance of frontrunning."

Another, unrelated provision in the Code of Ethics specific to Drystone's investment practices and a conflict of interest is as follows:

"Ethical Principle specific to Drystone ("Concentrated Investments")

Perhaps the single most fundamental part of Drystone's investment and operating philosophy is to differentiate in each client portfolio between certain investments designated as "Diversified Investments" and certain investments designated "Concentrated Investments." Drystone charges clients a Portfolio Counseling fee which applies as a percentage of all assets under management and also charges an additional Concentrated Investment fee which applies as a percentage of only those assets designated as "Concentrated Investments." This practice is very specifically designed to heighten the transparency of Drystone's investment decision-making, tie Drystone's investment process closely to the level of conviction and appropriateness of each investment decision, and enable each client to assess thoroughly Drystone's performance and ability to add sufficient value to justify the Company's fees. This differentiation and the associated fee structure has the potential to distort Drystone's investment actions and thus presents a conflict of interest, however, because Drystone or its employees could increase the Company's revenue by allocating to "Concentrated Investments" a portion of a client's portfolio that exceeds the level justified by the investment merits or client-appropriateness of those investments. To address this risk and ensure that Drystone portfolio managers act without an undue or distorting regard for fee revenue consequences, Drystone has adopted the following self-policing safeguards: 1. At the outset of each client relationship, the client's written Statement of Investment Objectives (SIO) Snapshot establishes target minimums and maximums for various Drystone asset categories, including a maximum for "Concentrated Investments," specific to that client's circumstances and Drystone's best good-faith objective judgement as to foreseeable investment opportunities and specific client-appropriateness. No Drystone portfolio manager should persistently exceed a client's SIO target maximum percentage in "Concentrated Investments" without conducting a direct discussion with the client of the rationale and obtaining subsequent client agreement to allow a revised SIO with a higher target for "Concentrated Investments." 2. Drystone's portfolio appraisals, performance reviews, fee invoices, and other Drystone reports to clients consistently display the "Diversified Investments," "Concentrated Investments," and other Drystone designations as separate asset categories, so that clients can monitor Drystone's adherence to the targets established in the SIO's. Once Drystone has decided as a firm in which category a particular security belongs, no single portfolio manager can arbitrarily re-categorize that security on any report or portfolio valuation."

If a Drystone client has not already specified a broker-custodian to provide custody and trade execution for the account(s) for which Drystone will provide investment management services, Drystone recommends a third-party (i.e., unaffiliated) broker-custodian based on the following criteria:

- reasonableness of brokerage trade commissions when compared to generally prevailing levels at other broker-custodians;
- speed, efficiency, consistency of brokerage trade execution - particularly as regards any thinly-traded public securities to be purchased or sold;
- quality (clarity, thoroughness, timeliness) of brokerage and custody reports (trade confirmations and monthly statements) provided to clients;
- quality and timeliness of tax recordkeeping and reporting (Form 1099's, etc.) of custodian;
- historical stability, regulatory history, and brand name recognition of broker-custodian;
- security, reliability, and pricing for broker-custodian data posting to Drystone's portfolio accounting software;
- any research reports/services which broker-custodian offers Drystone which may accrue to benefit of Drystone and all of its clients;
- whether transferring assets from a client's existing custodian would necessitate a high level of asset sales and capital gains realization;
- whether a particular client account requires the services of a qualified corporate trustee other than that affiliated with broker-custodian.

Drystone has not historically been nor is currently in a position to negotiate commission rates at any broker-custodian and therefore seeks to recommend a broker-custodian whose standard published commission schedule is low in absolute terms and reasonable relative to prevailing levels in the brokerage industry. Lower commission rates may at any given time be obtainable from a broker-custodian other than the one recommended by Drystone, but Drystone seeks to address all the above criteria such that its clients receive from the Drystone-recommended broker-custodian the optimal balance of low commissions and competence on all other criteria.

We may require that clients in need of brokerage and custodial services utilize Charles Schwab & Co., Inc. (Schwab), registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we may require that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

Products and Services Available to Us From Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to

its institutional brokerage - trading, custody, reporting, and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

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

Services That May Not Directly Benefit You.

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

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of

these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to require that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us. Based on the amount of assets under management, we do not believe that requiring our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. These services are not otherwise contingent upon us committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction- related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services also makes available to us other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering your' accounts include software and other technology that (i) provide access to your account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other

market data; (iv) facilitate payment of our fees from your account; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment to us.

As a fiduciary, our firm and our Associated Persons endeavor to act in the best interests of our clients. However, our requirement that our clients maintain their assets in accounts at Schwab, may be based in part on benefits provided to us by the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest.

You may be charged transaction fees involved when purchasing or selling securities through the selected broker-dealer/custodian. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer/custodian. Additionally, the commission/transaction fees charged by the broker-dealer/custodian may be higher or lower than those charged by other broker- dealer/custodians.

Any research reports made available to Drystone by a broker-dealer/custodian are an incidental service broker/dealer-custodian makes widely available to all investment advisors whose client accounts are custodied at that broker/dealer-custodian and are not tied to any specific trades/trade commissions. As a measure of this, Drystone's investment analysis to date has relied almost entirely on Drystone's own internal research and has only utilized a minute amount of research reports/services from its clients' broker/dealer-custodian anyway.

The one criterion from which Drystone derives its own specific financial benefit consequent to a client selecting a particular broker-custodian is where that broker-custodian is eligible to post account data directly to Drystone's portfolio accounting software for free or discounted pricing versus higher pricing (or less administrative convenience) applied to data from other broker-custodians; even the criterion of data posting and its cost to/ease of use for Drystone is only one factor and is never the sole motivating or even a primary consideration in recommending a broker-custodian. A client should be aware of this conflict of interest, though, in that the free/discounted data posting represents an incentive to recommend a broker-custodian for reason(s) other than ensuring clients receive most favorable execution of their trades.

To date, Drystone has not directed brokerage of any securities trades to any broker-dealer other than the one broker-custodian identified by all Drystone's clients at the inception of the

clients' relationship with Drystone and, to date, no client has requested that Drystone direct brokerage to any other broker-dealer. If a client did request that Drystone use a specific other broker-dealer, that client would have the sole responsibility for negotiating brokerage commission rates with such broker-dealer. A client requesting to direct brokerage to a different broker-dealer may pay higher brokerage commissions than might otherwise be paid through the primary broker-custodian used by other Drystone clients and may lose the benefit of potentially lower commissions and/or better execution available through transactions aggregated with other Drystone clients at the primary broker-custodian used by other Drystone clients.

Drystone receives no referrals of prospective clients made by any broker-dealer or custodian.

When purchasing or selling the same security for multiple client portfolios in a single trading day, Drystone seeks to block, or aggregate, all client orders into one single "block trade." This ensures that all clients receive the same execution price for the trade. Drystone purchases predominately securities which have very significant average daily trading volume and which should not experience any measurable impact to their market price from Drystone's purchases or sales. For those securities, it is relatively easy to place larger block trades in a short period of time. From time to time, though, Drystone may purchase or sell thinly-traded public securities (i.e., securities for which Drystone aggregate client holdings may represent a measurable percentage of average daily trading volume) for client portfolios. In these cases, Drystone remains mindful of the need to 1) minimize market impact (i.e., minimize the potential to push prices up when purchasing or push prices down when selling); and 2) be fair to all clients particularly those with smaller portfolios. Ideally Drystone aggregates any such client transactions into a single block purchase or sale, so that all clients pay or receive the same average price for the security. If a block transaction is not possible and purchases or sales have to be executed gradually over more than one day and on an account-by-account basis, then Drystone typically begins by placing transactions for the smaller portfolio positions first, working up in portfolio position size and placing the transactions for the larger portfolio positions last. By typically placing the smaller transactions first and larger transactions later, Drystone seeks to avoid a pattern of favoring larger client portfolios and to minimize detrimental market impact to the prices paid/received by all client portfolios.

Drystone provides investment counsel (investment supervisory services) and, as such, reviews all client portfolios on a continuous basis, i.e., throughout the year and on any given day, to reaffirm the appropriateness of each securities position owned and of each overall portfolio profile in the context of each client's written Statement of Investment Objectives (SIO) Snapshot and to reflect the most current investment opinion and analysis of Drystone.

Drystone seeks to review directly with each client that client's portfolio and Statement of Investment Objectives (SIO) Snapshot regularly and no less than annually to reaffirm that the portfolio and the Statement reflect current client circumstances.

Currently, Drystone only employs one investment advisory representative who is also the firm's most senior company Manager. In the future, if the firm grows and employs additional investment advisory representatives, it is anticipated that the Chief Compliance Officer or another senior Manager of the firm will supervise the additional investment advisory representatives and at least annually review each client account with the respective representative according to the criteria above and will closely monitor the representative's overall activity in the interim.

Once every calendar quarter, Drystone prepares and mails each client a written portfolio statement of positions held - number of units held, cost basis and market value, percentage of total portfolio, unrealized gain/(loss), and estimated annual income - and a list of investment activity - transactions, deposits/withdrawals - in each portfolio, and a total return performance report. Drystone also provides written commentary on market, economic, and other issues pertinent to portfolios.

In addition, the clients' broker-custodian mails separate custody statements directly to each client on a monthly basis. Drystone's quarterly statements include a comment encouraging the client to compare the Drystone statement to the custodian statement.

Item 14 *Client Referrals and Other Compensation*

N/A -

- Drystone does not receive any compensation other than the investment management and consultation fees detailed in Item 5.

- Drystone and its related person(s) do not compensate anyone who is not a supervised person (Drystone investment advisory representative) for client referrals.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

Clients receive monthly account statements directly from the qualified custodian they selected at the outset of their relationship with Drystone. Clients should carefully review these statements and compare them to the separate quarterly written reports prepared and mailed by Drystone. Drystone includes the following footnote in its written portfolio statements:

"Drystone encourages clients to compare its portfolio reports to the custodian statements."

Drystone manages client portfolios on a discretionary basis in that Drystone makes all portfolio decisions in accordance with each client's written Statement of Investment Objectives (SIO) Snapshot but places securities transactions on clients' behalf without seeking client pre-approval prior to placing those transactions.

Drystone assumes discretionary investment authority pursuant to language included in the written Investment Management Agreement, or contract, signed by each client and by an officer of Drystone and pursuant to a limited power of attorney included in the separate broker-custodian account application completed and signed by the client. Client must execute both documents prior to Drystone beginning discretionary management of a client's portfolio.

Drystone has discretion to decide the types and amounts of securities and the broker-dealer utilized for client portfolios.

Every client SIO contains target minimums and maximums for the various asset classes or types of securities and overall guidance to client suitability, risk tolerance, etc. A client may also impose additional specific restrictions on investing in certain securities or types of securities by instructing Drystone to include those restrictions in his/her client SIO.

A client may also elect to hold non-Drystone Client-Directed Holdings, i.e., securities positions which are not managed by Drystone nor subject to fee by Drystone but which may be placed by the client in the same custodian account that contains the Drystone-managed assets. If so, Drystone will either exclude or segregate all such Client-Directed Holdings from the Drystone-managed portfolio of assets and attach a written label and reminder that Client-Directed Holdings are not managed by Drystone, when reporting to the client.

As explained in Section 4 of this Form ADV, during 2011 at the request of a single existing client Drystone entered into a new non-discretionary consultation agreement with that existing client. Drystone did this as a one-time exception in recognition of the existing client's external circumstances and request. In all other relationships Drystone remains a discretionary investment manager and does NOT intend to offer non-discretionary consultation services to any other existing or prospective client.

Drystone has authority to vote proxies for client securities pursuant to language included in the Drystone Investment Management Agreement and in the separate broker-custodian account application signed by client. Drystone's Compliance Policy includes a Proxy Voting Policy.

In accordance with that Proxy Voting Policy, Drystone seeks to vote in the sole and exclusive best financial interest of its clients and will study each proxy issue to determine which vote will most likely produce favorable financial results for our clients. Drystone typically votes in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders and against proposals having the opposite effect. Drystone may occasionally abstain from voting, if it cannot determine whether a vote for or against a particular proposal would be more beneficial to client's financial interests. Drystone will at all times avoid being unduly influenced by any recommendations of an issuer's Board of Directors, and Drystone's history of myriad votes opposite to Boards' recommendations should serve as evidence of careful, independent consideration of each proxy issue and a pattern of voting in what Drystone determines to be the sole and exclusive financial best interest of Drystone clients.

Social, environmental and political considerations are also subordinate to the sole and exclusive goal of maximizing shareholder value and will not take priority over that goal in the absence of explicit written instructions to the contrary by a client. If a Drystone client has a strong opinion on a particular proxy issue, Drystone encourages the client to provide a written request for Drystone to consider that opinion in determining its vote.

It is unlikely, but conceivably conflicts of interest between Drystone or a principal of Drystone and clients in respect of a proxy issue may arise, for example, from personal or professional relationships with a company or with the directors, candidates for director, or senior executives of a company that is the issuer of client securities. If the Drystone CCO determines that a material conflict of interest exists, the following procedures shall be followed: Drystone may disclose the existence and nature of the conflict to the client(s) owning the Client Securities, and seek directions on how to vote the proxies; Drystone may abstain from voting, particularly if there are conflicting client interests (for example, where client accounts hold different client securities in a competitive merger situation); or Drystone may follow the recommendations of an independent proxy voting service in voting the proxies.

Drystone keeps a record of its votes on each proxy proposal and will provide any client a history of those votes and a copy of the Proxy Voting Policy upon written client request.

Item 18 Financial Information

Drystone does not require prepayment of fees six months or more in advance.

Drystone does not take custody of client funds or securities.

Neither Drystone nor its supervised person(s) have any financial conditions which could impair its ability to meet contractual commitments to clients. Drystone LLC was founded entirely with an equity capital contribution of cash from its sole Member, carries no debt of any kind, and maintains a FDIC-insured business checking account balance sufficient to cover all projected operating and capital expenditures.

Neither Drystone LLC nor its supervised person(s) have ever been the subject of a bankruptcy petition.