



**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Shorepoint Capital Partners LLC. If you have any questions about the contents of this brochure, please contact us at (781) 341-7250. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Shorepoint Capital Partners LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

The purpose of this section is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure.

Since the filing of our last annual updating amendment, dated February 22, 2018, the following material changes have been made to this Brochure:

Items 4, 5, 6, 7, 8 and 17 have been amended to reflect that the Firm advises a private fund.

Item 4 has been amended to reflect the fund's objective.

Item 5 has been amended to reflect fees and expenses associated with management of the fund.

Item 6 has been amended to describe conflicts associated with side-by-side management.

Item 7 has been amended to include pooled investment vehicles as a type of client serviced by the Firm.

Item 8 has been amended to disclose risks associated with investment in the fund.

Item 17 has been amended to disclose the firm's policies when voting proxies in the management of the fund.

### **Item 3 Table of Contents**

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 6
Item 6 Performance-Based Fees	Page 9
Item 7 Types of Clients	Page 10
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 10
Item 9 Disciplinary Information	Page 12
Item 10 Other Financial Industry Activities and Affiliations	Page 12
Item 11 Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	Page 12
Item 12 Brokerage Practices	Page 13
Item 13 Review of Accounts	Page 14
Item 14 Client Referrals and Other Compensation	Page 15
Item 15 Custody	Page 16
Item 16 Investment Discretion	Page 16
Item 17 Voting Client Securities	Page 16
Item 18 Financial Information	Page 17
Item 19 Other Information	Page 17

## Item 4 Advisory Business

### Firm Description

Shorepoint Capital Partners LLC (the "Firm") was founded in 2009.

The Firm provides investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. In general, the Firm seeks to provide their clients with maximum after-tax, risk adjusted returns over long term time horizons consistent with the clients' investment objectives.

Investment advice is an integral part of financial planning. In addition, the Firm advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning. The Firm also publishes quarterly newsletters made available on the Firm's website, as well as distributed via email to clients, prospects, and other centers of influence.

Investment advice is provided on a discretionary or non-discretionary basis. The Firm does not act as a custodian of client assets. The client always maintains asset control.

The Firm also provides independent consulting services to 401(k) and pension plans. The Firm does not sell or have any 401(k) or pension plan proprietary products.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Any conflicts of interest will be disclosed to the client.

The Firm also serves as investment manager to a private fund, Shorepoint Income Fund I, LP. The fund's objective is to preserve capital, deliver attractive current yields, and accrue additional capital gains upon investment exits. The Fund invests in private real estate, debt and equity securities. It may invest a small portion in public income producing securities such as closed-end funds, master limited partnerships, etc.

### Principal Owners

The Firm is organized as a Massachusetts limited liability company. Timothy Vanech owns 50% of the membership interests of the Firm. Luis Raposo owns the remaining 50% membership interests of the Firm.

### Types of Advisory Services

The Firm provides investment supervisory services, also known as asset management services. This means that the Firm provides its clients with regular and continuous investment advice which is particularly tailored to that client's investment needs.

On more than an occasional basis, the Firm furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and retirement planning services that often include 401(k) investment and planning.

As of January 31, 2019, the Firm managed \$319,987,000 in assets. Of this, \$302,128,000 in assets were managed on a discretionary basis and \$17,859,000 in assets were managed on a non-discretionary basis.

### Tailored Relationships

The goals and objectives for each client are documented in our performance reporting system. Investment guideline statements are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

### Types of Agreements

The following agreements define the typical client relationships.

#### *Investment Management Agreement*

Most clients choose to have the Firm manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

In general, the Firm seeks to provide strong after-tax, risk adjusted returns over long term time horizons consistent with clients' investment objectives, which investment objectives take into account clients' risk tolerance, investment constraints, tax consequences and liquidity needs. The Firm pursues its clients' investment objectives by strategically investing client accounts in multiple asset classes, including, but not limited to, traditional assets such as equity, fixed income and government securities and mutual funds.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship. An Investment Management Agreement may include: cash flow analysis; insurance review; investment management (including performance reporting); education planning; retirement planning; and estate planning, as well as the implementation of recommendations within each area.

Although the Investment Management Agreement is a continuing agreement, the length of service to the client is at the client's discretion. The client or the Firm may terminate an Agreement by written notice to the other party. Fees are generally charged quarterly, in advance. At termination, fees will be refunded on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

#### *401(k) Consulting Agreement*

The 401(k) consulting services are designed to provide independent consulting services to 401(k) and pension plans. The Firm does not sell or have any 401(k) or pension plan proprietary products.

The Firm provides the following services as part of its 401(k) consulting services offering: in-person enrollment and education services provided by a principal of the Firm; may create and manage customized investment allocation models for participants; conduct annual trustee review meetings; screen, select, recommend and monitor plan investment choices.

### *Financial Planning Agreement*

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

### Investment Management

Assets are invested primarily in stocks, bonds, mutual funds and exchange traded funds. Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. No-load mutual funds and exchange-traded funds are usually purchased through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Investments may also include warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities and U.S. government securities.

Initial public offerings (IPOs) are not available through the Firm.

Investment in the private fund may only be made by accredited investors via separate subscription documents.

### Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying the Firm in writing. Fees collected for services not yet rendered will be refunded to the client on a pro rata basis, based on the number of days remaining in the quarter. Any fees due for services rendered or time spent on the investment advisory engagement prior to notification of termination will be due and payable upon termination of the agreement.

The Firm may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, the Firm will refund any unearned portion of the advance payment on a pro rata basis as described above.

Upon notice of termination, the Firm will await further instructions from the client as to what steps the client requests the Firm to take to liquidate and/or transfer the portfolio and remit the proceeds.

## **Item 5 Fees and Compensation**

The Firm bases its fees on a percentage of assets under management and hourly charges. Some agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Fees are negotiable and may be waived in the sole discretion of the Firm. The Firm, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

#### *Investment Management Fee*

The annual Investment Management Agreement fee is based on a percentage of investable assets. The annual fee typically ranges from 1.00% to 1.25% depending upon the market value of the assets under management and the type of investment management services to be rendered. The Firm imposes a minimum annual fee, typically \$5,000 per annum. This minimum fee is based on certain criteria, including the complexity of the account, historical relationship, type of assets, anticipated future earnings capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, and account compositions, and may be waived or reduced by the Firm in its sole discretion.

#### *401(K) Consulting Fees*

The fee range for 401(k) consulting services is typically 0.50% on plan assets assessed quarterly in arrears.

#### *Financial Planning Fees*

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee range is \$300 to \$350 per hour and is billed monthly or on a project basis. Fees may also be charged on a fixed fee basis. The exact fees charged for these services will be specified in a client agreement executed before service begins.

Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

Financial plans are priced according to the degree of complexity associated with the client's situation.

#### **Fee Billing**

Investment management fees are billed quarterly, in advance, meaning that the Firm invoices clients before the three-month billing period has begun. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

#### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, stocks and bonds.

The Firm generally recommends that clients establish custody accounts at either Charles Schwab & Co., Inc. ("Schwab") or National Financial Services, LLC, a Fidelity company ("Fidelity"). For accounts maintained in custody, Schwab and Fidelity generally do not charge separately for

custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or Fidelity, or that settle into Schwab or Fidelity accounts.

Schwab's and Fidelity's commission rates applicable to the Firm's client accounts were negotiated based on the condition that the Firm's clients maintain a total of at least \$10 million of their assets at the respective custodian. This commitment benefits the client because the overall commission rates paid is lower than they would be otherwise. In addition to commissions, clients are charged a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the Firm has executed by a different broker-dealer but where the securities bought or where the funds from the securities sold are deposited (settled) into the client's Schwab or Fidelity account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer.

## Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to the Firm.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

## Past Due Accounts and Termination of Agreement

The Firm reserves the right to stop work on any account that is more than 90 days overdue. In addition, the Firm reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Firm's judgment, to providing proper financial advice.

Fees collected for services not yet rendered will be refunded to the client on a pro rata basis, based on the number of days remaining in the quarter. Any fees due for services rendered or time spent on the investment advisory engagement prior to notification of termination will be due and payable upon termination of the agreement.

## Private Fund Expenses

### *Management Fees*

The Firm charges an annual management fee of 1.50% of the capital committed to the fund. The management fee is payable quarterly in advance on the first business day of each calendar quarter, based on the most recent quarter's ending results, and is deducted from each Limited Partner's capital account. Shorepoint's fees are more fully detailed in the fund's Limited Partnership Agreement.

### *Administrative Fees*

The fund will generally pay an annual administrative fee of between 0.125% - 0.250% to the General Partner. The administrative fee is payable quarterly in advance on the first business day of each quarter, based on the most recent quarter's ending results, and is deducted from each Limited Partner's capital account. The General Partner's administrative fees are more fully detailed in the fund's Limited Partnership Agreement.



### *Distributions*

The fund will make pro-rata distributions to the Partners, based on each Partner's partnership percentage, to the extent that underlying funds and portfolio investments distribute cash or liquid assets to the fund in excess of fund reserves and expenses. The amount distributed will reimburse Limited Partners up to 100% of their aggregate capital contribution related to the partner's investment in the fund, plus (if applicable) a preferred return of 8% per annum, compounded annually on aggregate capital contributions related to the partner's investment. All remaining proceeds will be allocated so that amounts in excess of aggregate capital contributions are distributed 80% to the Limited Partners and 20% to the Firm. Distributions are more fully detailed in the fund's Limited Partnership Agreement.

### *Other Expenses*

The fund pays all fees, costs, expenses, and liabilities relating to the operation of the fund, including the management and administrative fees noted above, third-party administrator fees and fees related to potential investments paid to third parties. The fund will also pay expenses related to the analysis of potential investments. The Firm and the General Partner pay expenses, such as salaries and benefits of personnel of the Firm and of the General Partner, and overhead expenses, and are reimbursed regulatory and compliance, vendor monitoring, and fund technology-related expenses. Expenses associated with the fund are more fully detailed in the fund's Limited Partnership Agreement.

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

In the provision of investment management services, fees are not based on a share of the capital gains or capital appreciation of managed securities.

In managing the assets of the private fund, the Firm receives fees based on a share of capital gains on, or capital appreciation of, the assets of the fund. Because the Firm manages accounts that are charged performance-based fees as well as accounts that are not charged performance-based fees ("side-by-side management"), a conflict of interest exists in that the Firm has an incentive to favor accounts charged a performance-based fee. For example, the Firm may have an incentive to allocate limited investment opportunities to clients who are charged performance-based fees over clients who are charged asset-based fees only. To address this conflict of interest, the Firm has adopted policies and procedures that require the Firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among clients regardless of whether the client is charged performance fees, and each limited investment opportunity is reviewed by the CCO for compliance with this requirement.

Further, performance-based fees create an incentive to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, the Firm monitors client portfolios as part of an ongoing process. In addition, regular account reviews are conducted no less than annually to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

Performance-based fees may also create an incentive to overvalue investments which lack a market quotation. In order to address such conflict, the Firm has adopted policies and procedures that require "fair valuation" of any investments which do not have a readily ascertainable value.

## **Item 7 Types of Clients**

### Description

The Firm provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations, other business entities, and pooled investment vehicles. Client relationships vary in scope and length of service.

### Account Minimums

The Firm's minimum account size for investment management services is \$500,000.

The minimum investment required for investing in the private fund is \$250,000.

Minimums may be waived at the Firm's discretion.

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

### Methods of Analysis

Security analysis methods used may include fundamental analysis. Fundamental analysis is about using real data to evaluate a security's value. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell). The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that the Firm may use include Morningstar mutual fund information, Value Line, Zacks Research, Fidelity Investments, Charles Schwab & Company's "SchwabLink" service, and the World Wide Web.

### Investment Strategies

The primary investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Guideline form that documents their objectives and desired investment strategy.

The Firm will develop a strategic asset allocation for each client based upon the client's investment objectives.

With an emphasis on personalized client service, the Firm provides financial planning and investment solutions to help clients achieve their financial goals. The resulting strategy and asset allocation are specific to each client's investment objectives.

The Firm's investment goal is to maximize the client's after-tax returns over the long term. The Firm takes a common-sense approach to investments, focusing on providing transparency, generating income and minimizing risk. Identifying secular growth themes and employing fundamental analysis, the Firm selects attractive investments with a margin of safety. Portfolios are invested in multiple asset classes and are built based on client's investment profile which includes tolerance for risk, income needs, tax situation, and any special requirements.

As an active investor, the Firm monitors portfolios continually, and shifts among asset classes and securities as appropriate. At the same time, the Firm is mindful of managing costs and generally maintains a low portfolio turnover.

## Investment Objective and Strategy of the Private Fund

As mentioned in Item 4 of this Brochure, the Firm serves as investment manager to a private fund, Shorepoint Income Fund I, LP. The fund's objective is to preserve capital, deliver attractive current yields, and accrue additional capital gains upon investment exits. The Fund invests in private real estate, debt and equity securities. It may invest a small portion in public income producing securities such as closed-end funds, master limited partnerships, etc.

## Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily 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 a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Risks Associated with Investment in the Private Fund

- Private Placements: A private placement (non-public offering) is an illiquid security sold to qualified investors and are not publicly traded nor registered with the Securities and Exchange Commission. Private placements generally carry a higher degree of risk due to illiquidity. Most securities that are acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks are dependent on the nature of the partnership and are disclosed in the offering documents.
- The fund's offering documents include a detailed description of risks associated with investment in the fund and should be carefully reviewed prior to investment.

## Item 9 Disciplinary Information

The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10 Other Financial Industry Activities and Affiliations

### Financial Industry Activities

The Firm does not engage in any additional financial industry activities.

### Affiliations

One of the Firm's management persons is a member/investor of an investment-related limited liability company, in which two of the Firm's clients are also members/investors. The Firm's management person acts solely as member/investor in the LLC, and does not provide advice or opinion regarding the LLC's investment activities. The LLC in which the Firm's management person invests is not a client of the Firm.

In addition, one of the Firm's management persons is a licensed insurance agent, and has the ability to earn commission-based compensation for selling insurance products to clients of the Firm. Insurance commissions are separate from, and in addition to, the advisory fees charged by the Firm.

## Item 11 Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

### Code of Ethics

The employees of the Firm have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The Firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### Participation or Interest in Client Transactions

The Firm and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Firm *Compliance Manual* and *Code of Ethics*.

## Personal Trading

The Chief Compliance Officer of the Firm is Luis Raposo. He reviews all employee trades each quarter. His trades are reviewed by Timothy Vanech. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the Firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades or stock trades, the trades do not affect the securities markets.

## Item 12 Brokerage Practices

### Selecting Brokerage Firms and Custodians

The Firm does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. The Firm recommends custodians based on the proven integrity and financial responsibility of the Firm and the best execution of orders at reasonable commission rates.

The Firm does not maintain custody of client assets that the Firm manages, although the Firm may be deemed to have custody of client assets if a client gives the Firm the authority to withdraw assets from the client's account. A client's assets must be held at a "qualified custodian," generally a broker-dealer or bank. The Firm generally recommends that that clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. The Firm is independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy or sell securities when instructed to do so. While the Firm recommends that the client use Schwab as custodian/broker, the client will decide whether to do so and will open an account with Schwab by entering into an account directly with them. The Firm does not open the account for the client, although the Firm may assist the client in doing so. While the Firm works with other custodians, including National Financial Services LLC, a Fidelity company ("Fidelity"), if a client does not wish to place his assets with Schwab or if the client does not hold an account with Fidelity, the Firm may not be able to manage the client's account. Not all advisers require the use of a particular broker-dealer or custodian selected by the adviser. Even though a client's account is maintained at Schwab or Fidelity, the Firm can still use other brokers to execute trades for a client's account as described below.

The Firm seeks to recommend a custodian/broker who will hold a client's assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. The Firm considers a wide range of factors, including, among others:

- Capability to execute, clear, and settle trades (buy and sell securities for a client's account)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc)
- Availability of investment research and tools that assist the Firm in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate prices
- Reputation, financial strength and stability
- Prior service to the Firm and other clients
- Availability of other products and services that benefit the Firm.

## Best Execution

The Firm reviews the execution of trades at each custodian on a periodic basis. The review is documented, as specified by the Firm's *Compliance Manual*. Trading fees charged by the custodians are also reviewed on a quarterly basis. The Firm does not receive any portion of the trading fees.

As previously described under **Fees and Compensation - Other Fees**, in addition to commissions, the custodian charges the client a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the Firm has executed by a different broker-dealer but where the securities bought or where the funds from the securities sold are deposited (settled) into the client's account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the Firm places most trades for a client's account through the custodian's broker-dealer (Schwab or Fidelity). The Firm has determined that doing so is consistent with the Firm's duty to seek "best execution" of a client's trades.

## Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

General securities transactions for each client generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Firm's clients pro rata to the purchase and sale orders placed for each client on any given day. The Firm will not receive any additional compensation as a result of the aggregation of orders.

## Item 13 Review of Accounts

### Periodic Reviews

For those clients to whom the Firm provides investment management services, the Firm monitors those portfolios as part of an ongoing process and regular account reviews are conducted at least annually. For those clients to whom the Firm provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of the Firm's Investment Adviser Representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Firm and to keep the Firm informed of any changes to their financial situation. The Firm shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

## Regular Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the Firm provides investment advisory services will also receive a report from the Firm that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients are encouraged to compare the reports received from the Firm with the statements received from the broker-dealer or custodian and to immediately report any unexplained differences to the Firm and/or the broker-dealer or custodian, as appropriate.

## Item 14 Client Referrals and Other Compensation

### Incoming Referrals

The Firm receives client referrals from outside individuals or organizations (usually attorneys, CPA's or other professionals). These individuals may receive a portion of the fees charged to the client, but in no event will the client be charged additional fees to offset those paid to the referral source. Proper licensing (if required by the states) must be maintained by any referral source paid, and full disclosure will be made to clients in writing by the referral source, as required by Rule 206(4)-3 of the Investment Advisers Act.

### Referrals Out

The Firm does not accept referral fees or any form of remuneration from a non-client for providing services to an advisory client.

### Other Compensation

Schwab Advisor Services<sup>TM</sup> (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like the Firm. They provide the Firm and its 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 help the Firm manage or administer client accounts while others help the Firm manage and grow its business. Schwab's support services generally are available on an unsolicited basis (the Firm does not have to request them) and at no charge to the Firm as long as a total of at least \$10 million of the Firm's clients' assets are maintained in accounts at Schwab. If the Firm's clients collectively have less than \$10 million in assets at Schwab, Schwab may charge the Firm quarterly service fees of \$1,200.

The availability of these services from Schwab benefits the Firm because the Firm does not have to produce or purchase them. The Firm doesn't have to pay for Schwab's services so long as the Firm's 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 the Firm committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum gives the Firm an incentive to recommend that clients maintain accounts with Schwab based on the Firm's interest in receiving Schwab's services that benefit the Firm's business rather than based on a client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. The Firm will only recommend the services

of Schwab as custodian and broker when it feels such recommendation is in the best interest of the Firm's client. The Firm's selection is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only the Firm.

## **Item 15 Custody**

### **Account Statements**

The Firm is deemed to have custody of client assets solely because it deducts advisory fees from client accounts. Other than these client-authorized fee deductions, the Firm does not maintain or accept custody of client funds or securities.

The qualified custodian maintains actual custody of the client's assets. Clients will receive account statements directly from qualified custodian at least quarterly. They will be sent to the email or postal mailing address previously provided by the client. Clients should carefully review those statements promptly.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by the Firm.

## **Item 16 Investment Discretion**

### **Discretionary Authority for Trading**

The Firm accepts discretionary authority to manage securities accounts on behalf of clients. The Firm has 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. However, the Firm consults with the client prior to each trade to obtain concurrence if discretionary trading authorization has not been given.

The Firm does not receive any portion of the transaction fees paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in client accounts so that the Firm may promptly implement the investment guidelines that the client has approved in writing.

## **Item 17 Voting Client Securities**

### **Proxy Votes**

In the provision of investment management services, the Firm does not vote proxies on securities. Clients are expected to vote their own proxies. When assistance on voting proxies is requested, the Firm will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

In managing the assets of the private fund, the Firm will determine how to vote proxies based on reasonable judgment of the vote most likely to produce favorable financial results for the fund. Proxy votes generally will be cast 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. Generally, proxy votes will be cast against proposals having the opposite effect. However, the Firm will consider both sides of each proxy issue.

Conflicts of interest between the fund and/or its Limited Partners, and the Firm, or a principal of the Firm, could arise. If it is determined that a material conflict of interest exists, the Firm will take the necessary steps to resolve the conflict before voting the proxies, which may include electing to abstain from voting or taking other necessary steps designed to ensure that a decision to vote is in the fund's best interest and was not the product of the conflict.

When voting proxies, the Firm maintains certain records required by applicable law, and makes available information on how proxies were voted. Copies of such records, as well as the Firm's adopted proxy voting policies and procedures, are available upon request.

## Class Actions

The Firm does not advise or act for Clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client's account or the issuers of these securities.

## Item 18 Financial Information

### Financial Condition

The Firm does not have any financial impairment that will preclude the Firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because the Firm does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Item 19 Other Information

### *Business Continuity Plan*

#### General

The Firm has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

#### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### *Information Security Program*

The Firm maintains an information security program to reduce the risk that clients' personal and confidential information may be breached.

## *Privacy Notice*

The Firm is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that The Firm collects from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. The Firm will use this information to help you meet your personal financial goals.

With your permission, the Firm will disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, the Firm may share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

The Firm maintains a secure office to ensure that your information is not placed at unreasonable risk. The Firm employs a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

The Firm does not provide your personal information to mailing list vendors or solicitors. The Firm requires strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

The Firm will notify you in advance if our privacy policy is expected to change. The Firm is required by law to deliver this *Privacy Notice* to you annually, in writing.