



**PENNINGTON PARTNERS & CO.**  
— A DYNAMIC FAMILY OFFICE —

## **Part 2A of Form ADV**

**May 5, 2019**

7920 Norfolk Avenue, Suite 1150  
Bethesda, Maryland 20814

**This brochure provides information about the qualifications and business practices of Pennington Partners & Co., LLC (“Pennington Partners”). If you have any questions about the contents of this brochure, please contact us at (202)-370-6435. 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 Pennington Partners also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC as an investment adviser does not imply that the Company or its officers or employees possess a particular level of skill or training.**

## Item 2 | Material Changes

This brochure was updated on May 5, 2019 to provide information that is different from the previous most recent disclosure brochure dated March 31, 2019, in which Pennington Partners provided to clients/investors and potential clients/investors. The following summary of the significant updates that were made in the brochure include:

- Item 4 was updated to include information on the private investment funds;
- Item 5 was updated to include RAUM for pooled investment vehicles and private funds fees;
- Item 8 was updated to include cybersecurity risk;
- Item 12 was updated to include information on trade errors; and
- Item 15 was updated to include information on custody related to the private funds.

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## Item 4 | Advisory Business

Pennington Partners & Co., LLC (“Pennington Partners”) is a limited liability company formed in January 2016 in the State of Delaware. Pennington Partners is an SEC registered investment adviser. Brian Gaister and Rodd Macklin are co-founders of Pennington Partners. Mr. Gaister is Chief Executive Officer. Mr. Macklin is Chief Financial Officer and Chief Compliance Officer.

Pennington Partners offers the following services to our clients:

### **INVESTMENT ADVISORY SERVICES**

Pennington Partners may provide discretionary and/or non-discretionary investment advisory services on a non-wrap *fee* basis. Pennington Partners’ annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Pennington Partners’ management (generally between negotiable and 1.50%) to be charged monthly in arrears.

Pennington Partners’ annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Pennington Partners), Pennington Partners may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### **FAMILY OFFICE AND BUSINESS STRATEGY CONSULTING**

To the extent requested by a client, Pennington Partners provides advisory services to families and family offices focused on governance, structure, strategy, operations, succession planning, global benchmarking, and best practices. The advisory offering is priced on the project, scope of work, and is tailored to the needs of each individual families. Pennington Partners has a minimum fee of \$100,000 per engagement that the firm reserves the right to evaluate on a project by project basis. Hourly rates range from \$250 to \$700, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Pennington Partners to provide planning or consulting services on a stand-alone basis, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Pennington Partners setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Pennington Partners commencing services.

If requested by the client, Pennington Partners may recommend the services of other professionals for implementation purposes, including certain of Pennington Partners’ representatives in their individual capacities as licensed insurance agents. (See disclosure at Item 10). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over

all such implementation decisions and is free to accept or reject any recommendation from Pennington Partners. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify Pennington Partners if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Pennington Partners' previous recommendations and/or services.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Pennington Partners may provide consulting services regarding non-investment related matters, such as estate planning, insurance, etc. Neither Pennington Partners, nor any of its representatives, serves as an attorney or an accountant and no portion of Pennington Partners' services should be construed otherwise. To the extent requested by a client, Pennington Partners may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of Pennington Partners' representatives in their individual capacities as registered representatives and/or licensed insurance agents, as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Pennington Partners. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Private Investment Funds.** Pennington Partners may provide investment advice regarding unaffiliated private investment funds and direct investment private funds sponsored by Pennington Partners. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Pennington Partners calculating its investment advisory fee. Pennington Partners' clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Pennington Partners acts as General Partner and/or investment manager to the following affiliated private investment funds, Pennington Alternative Income IDF, LP, Pennington Appreciation Fund, LP, Pennington Liquidity Fund, LP and PTM Qualified Opportunity Zone Fund I, LP (Collectively, the "Private Funds"). Pennington Partners manage the Private Funds in accordance with the objectives and investment strategies described in such Private Funds applicable offering documents. The terms, conditions, risks, and fees pertaining to an investment in the Private Funds, are outlined in the respective Private Fund's Private Placement Memorandum or other applicable offering documents. Our clients are under no obligation to consider, or make, and investment in the Private Funds.

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that Pennington Partners references private investment funds owned by the client on any supplemental account reports prepared by Pennington Partners, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

**Independent Managers/Separately Managed Accounts.** Pennington Partners generally recommends that clients authorize the active discretionary management of all or a portion of their assets by and/or among certain independent investment manager(s) and/or separately managed accounts ("Independent Manager(s)"). To the extent applicable, Pennington Partners shall recommend Independent Managers consistent with the client's investment objectives. Factors which Pennington Partners shall consider in recommending Independent Managers include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The specific terms and conditions under which the client engages an Independent Manager may be set forth in a separate contract between the client and the Independent Manager. Also, when required, the client shall receive a copy of the Independent Manager's disclosure Brochure. Pennington Partners shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which Pennington Partners shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager.

**Sub-Advisory Arrangements.** Pennington Partners may engage sub-advisors for the purpose of assisting with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Pennington Partners. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by sub-advisor or Pennington Partners. Pennington Partners will render ongoing and continuous advisory services to the client relative to the monitoring and review of account performance, client investment objectives, and asset allocation. Pennington Partners shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Pennington Partners' Chief Compliance Officer remains available to address any questions concerning the Registrant's sub-advisory arrangements.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Pennington Partners on a non-discretionary investment advisory basis must be willing to accept that Pennington Partners cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Pennington Partners will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

**Use of Mutual Funds.** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Pennington Partners independent of engaging Pennington Partners as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive the benefit of Pennington Partners' initial and ongoing investment advisory services.

**Retirement Rollovers.** A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his former employer's plan, if permitted, ii) roll over the assets to his new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Pennington Partners may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by Pennington Partners. As a result, Pennington Partners and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to Pennington Partners (unless you engage Pennington Partners to monitor and/or manage the account while maintained at your employer). Pennington Partners has an economic incentive to encourage an investor to roll plan assets into an IRA that Pennington Partners will manage or to engage Pennington Partners to monitor and/or manage the account while maintained at your employer. There are various factors that Pennington Partners may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus Pennington Partners', iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by Pennington Partners or to engage Pennington Partners to monitor and/or manage the account while maintained at your employer. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Pennington Partners may maintain cash positions for defensive purposes. All cash positions (money markets,

etc.) shall be included as part of assets under management for purposes of calculating Pennington Partners' advisory fee.

*Please Note:* When the account is holding cash positions, those cash positions will be subject to the same fee schedule as set forth below in Item 5. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

**Client Obligations.** In performing its services, Pennington Partners shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Pennington Partners if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/ revising Pennington Partners' previous recommendations and/or services.

**Disclosure Statement.** A copy of Pennington Partners' written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

Pennington Partners shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Pennington Partners shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Pennington Partners' services.

### **Assets Under Management**

As of December 31, 2018, regulatory assets under management totaled **\$392,648,636** under discretionary management and **\$314,565,942** under non-discretionary management (including retirement accounts).

## Item 5 | Fees and Compensation

Pennington Partners may be engaged to provide discretionary and non-discretionary investment advisory services and charge an annual investment advisory fee based upon a percentage (%) of the market value and type of assets placed under Pennington Partners' management, generally between 0.50bps and 1.50% as follows:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>ANNUAL FEE</u></b>
\$0 - \$10,000,000	1.50%
\$10,000,001 - \$30,000,000	0.75%
\$30,000,001 - \$50,000,000	
\$50,000,001 & Up	0.50bps

### **FAMILY OFFICE AND BUSINESS STRATEGY CONSULTING FEES**

To the extent requested by a client, Pennington Partners provides advisory services to families and family offices focused on governance, structure, strategy, operations, succession planning, global benchmarking, and best practices. The advisory offering is priced on the project, scope of work, and is tailored to the needs of each individual families. Pennington has a minimum fee of \$100,000 per engagement that the firm reserves the right to evaluate on a project by project basis. Hourly rates range from \$250 to \$700, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Clients may elect to have Pennington Partners' family office and business strategy consulting fees deducted from their custodial accounts should they custody assets overseen by the firm. Both Pennington Partners' *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Pennington Partners' family office and business strategy consulting services fees and to directly remit that management fee to Pennington Partners in compliance with regulatory procedures. In the limited event that Pennington Partners bills the client directly, payment is due upon receipt of Pennington Partners' invoice.

### **The Private Funds Fees**

The fees that Pennington Partners charges for the portfolio management services to the Private Funds are described and disclosed in their respective offering documents.

### **Tradeaway/Prime Broker Fees**

Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the executing broker-



dealer will charge a fee (commission, mark-up/mark-down) and a separate “tradeaway” and/or prime broker fee will be charged by the account custodian.

Pennington Partners’ annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the market value of the client’s assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between Pennington Partners and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Pennington Partners shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

#### **Legal Advisement/Counsel Fees**

Pennington Partners makes available legal advice to families as a supplement to the advisory relationship. Hourly rate for the service is \$175, depending on the level and scope of the advisement. Pennington Partners does not profit from this service to families. This charge is treated as a pass-through expense which the client will not incur any additional expense for the service.

Neither Pennington Partners, nor its representatives accept compensation from the sale of securities or other investment products.

### **Item 6 | Performance-Based Fees and Side-by-Side Management**

Pennington Partners may enter into performance-based fees arrangements with qualified clients (fees based on a share of capital gains on or capital appreciation of the assets of a client). Performance fee arrangements with qualified clients are negotiated with clients on a case by case basis. Clients may be offered a choice between the traditional fee schedule and a performance fee arrangement. The performance fee arrangement would have a lower base fee rate and minimum fee than the traditional fee schedule. The performance fee component would provide Pennington Partners an agreed upon percentage of performance that exceeds a policy benchmark mutually agreed upon.

Performance based fee arrangements may create an incentive for Pennington Partners to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. Pennington Partners has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Only “qualified clients” will be eligible for performance-based fee arrangements.

The performance-based fee arrangement is fully disclosed within the investment management agreement presented to the client. The client must understand the proposed method of compensation and its risks prior to entering into the investment management agreement.

## Item 7 | Types of Clients

Pennington Partners' clients shall generally include individuals, business entities, trusts, estates, charitable organizations, and pension and profit-sharing plans.

Pennington Partners generally requires a minimum annual fee of \$100,000 for investment advisory services. Pennington Partners, may also, in its sole discretion, waive its minimum annual fee requirement or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Please Note: Certain Independent Managers utilized by Pennington Partners, may impose more restrictive account requirements and billing practices than in place at Pennington Partners. In these instances, Pennington Partners may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager.

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

Pennington Partners may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Pennington Partners may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Pennington Partners) will be profitable or equal any specific performance level(s).

Pennington Partners' methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Pennington Partners must have access to current/new market information. Pennington Partners has no control over the dissemination rate

of market information; therefore, unbeknownst to Pennington Partners, certain analyses may be compiled with stale information, severely limiting the value of Pennington Partners' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Pennington Partners' primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer-term investment strategy.

In addition to the fundamental investment strategies discussed above, Pennington Partners may also implement and/or recommend the use of option strategies. The use of options has a high level of inherent risk. Accordingly, the decision as to whether to employ option strategies is left totally to the discretion of client.

Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Pennington Partners shall be with the intent of offsetting ("hedging") a potential market risk in a client's portfolio.

*Please Note:* Although the intent of the options-related transactions that may be implemented by Pennington Partners is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Pennington Partners, in writing, not to employ any or all such strategies for their accounts.

Currently, Pennington Partners primarily allocates client investment assets among various independent managers, separately managed accounts, individual equity, fixed income securities, mutual funds and/or exchange traded funds, hedge funds, real estate, private equity, venture capital, Real Estate Investment Trusts and Master Limited Partnerships on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s).

From time to time, and only in those cases where the client is eligible to do so,

Pennington Partners may recommend participating in initial and secondary public offerings ("IPOs"). In addition to the risks set forth above, given the nature of such offerings they may have more volatility in price than existing equities that are currently traded and have a trading history. Accordingly, the decision as to whether to participate in initial or secondary offerings is left totally to the discretion of client.

**Cybersecurity Risk.** In addition to the risks stated in the aforementioned, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at Pennington Partners or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise Pennington Partners' ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to Pennington Partners clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Pennington Partners has established a cybersecurity policy and business continuity and disaster recovery plan to reduce the risk associated with cybersecurity breaches. However, there are inherent limitations in these plans, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because Pennington Partners does not directly control the cybersecurity systems of issuers, trading counterparties, or third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

#### **Item 9 | Disciplinary Information**

Pennington Partners has not been the subject of any disciplinary actions.

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

Neither Pennington Partners, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Pennington Partners, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

**Licensed Insurance Agents.** As disclosed above, certain of Pennington Partners' representatives are licensed insurance agents. These individuals may recommend the purchase of insurance-related products on a commission basis.

**Conflict of Interest.** The recommendation by Pennington Partners' representatives, that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend products based on commissions received, rather than on a particular client's need.

No client is under any obligation to purchase any commission products from Pennington Partners' representatives or affiliates. Clients are reminded that they may purchase insurance products recommended by Pennington Partners through other, non-affiliated insurance agents. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

Pennington Partners does not receive, directly or indirectly, compensation from Independent Managers that it recommends or selects for its clients.

### **Other Material Relationships**

Pennington Partners have certain affiliations that may create a conflict of interest between Pennington Partners, its employees and its clients that may require disclosure to Pennington Partners clients.

**SaaS Venture GP and SaaS Venture (fund).** One or more of Pennington Partners owners are affiliated with SaaS Venture GP, as partial owners, and who have input into the investments made by SaaS Venture (fund), and upon the fund's closing, a percentage, to be determined by the owners, of the owners' interest in SaaS Venture GP will be allocated to clients of Pennington Partners. Pennington Partners clients invest in SaaS Ventures (fund) and investors in SaaS Ventures (fund) are clients of Pennington Partners. These relationships involving Pennington Partners owners who have interest in SaaS Venture GP, the ownership of the SaaS Venture GP by Pennington Partners clients, and the investment by Pennington Partners' clients in SaaS Ventures (fund), may create conflicts of interest because of Pennington Partners owners having partial ownership of SaaS Ventures GP. Pennington Partners owners have an incentive to recommend SaaS Ventures (fund) as an investment to Pennington Partners clients and may profit from such investments. Pennington Partners owners may have an incentive to recommend SaaS Ventures (fund) to clients in order to preserve the owner's relationship with Pennington Partners clients that have ownership interests in SaaS Ventures GP. Despite these conflicts, Pennington Partners will only recommend investment in SaaS Ventures (fund) to its clients if such investment is in the client's best interest and in keeping with the client's investment objectives, goals and risk profile.

Pennington Partners owners, as partial owners of the SaaS Ventures GP, have input into the investments made by SaaS Ventures (fund) and such investments may be the same investments that Pennington Partners may recommend to its clients. In the extent that Pennington Partners owners, as partial owners of SaaS Ventures GP, have input into the investments made by SaaS Ventures (fund), and to the extent that those investment opportunities are ones that Pennington Partners offers to its clients, Pennington Partners has procedures in place to make sure that such investment opportunities are allocated in a fair and equitable manner.

Additionally, Pennington Partners owners and member partners serve as general partner and/or investment manager to the Private Funds and these relationships may create conflicts of interest because Pennington Partners owners and member partners have an incentive to recommend the Private Funds as an investment to Pennington Partners clients and may profit from such investments. As stated in the aforementioned, Pennington

Partners has procedures in place to make sure that such investment opportunities and allocated in a fair and equitable manner.

Brian Gaister is co-founder and general partner of SaaS Ventures, a venture capital firm focused on early stage enterprise technology companies. Brian also serves on the investment committee of Pennington Partners and SaaS Ventures. In addition, Brian acts as PTM Partners Principal and serves as a General Partner Investment Committee Member on PTM Partners OZF I GP.

Rodd Macklin is Chief Financial Officer and Chief Compliance Officer to Pennington Partners. Rodd also serves as Chief Financial Officer and Chief Compliance Officer of NGP Energy Technology Partners, a private equity fund management firm. In addition to serving on the Investment Committee of Pennington Partners, Rodd also serves as PTM Partners Principal to PTM Partners Opportunity Zone Fund I GP.

Jacob Yunger is Senior Portfolio Manager of the Alternative Income Fund and Partner. Jacob also serves as a General Partner Investment Committee Member in PTM Partners Opportunity Zone Fund I GP.

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

Pennington Partners maintains an investment policy relative to personal securities transactions. This investment policy is part of Pennington Partners' overall Code of Ethics, which serves to establish a standard of business conduct for all of Pennington Partners' representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Pennington Partners also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Pennington Partners or any person associated with Pennington Partners.

As disclosed above, Pennington Partners may recommend participation in initial and secondary offerings to eligible clients. In such cases, offerings may be available in limited quantities wherein Pennington Partners may need to allocate shares to clients in a lesser proportion than as requested by the client. These situations create a potential conflict of interest and in such cases Pennington Partners will manage such conflicts through applicable policies and procedures.

Neither Pennington Partners nor any related person of Pennington Partners recommends, buys, or sells for client accounts, securities in which Pennington Partners or any related person of Pennington Partners has a material financial interest.

Pennington Partners and/or representatives of Pennington Partners may buy or sell securities that are also recommended to clients. This practice may create a situation

where Pennington Partners and/or representatives of Pennington Partners are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Pennington Partners did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Pennington Partners’ clients) and other potentially abusive practices.

Pennington Partners has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Pennington Partners’ “Access Persons”. Pennington Partners’ securities transaction policy requires that an Access Person of Pennington Partners must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Each quarter, Access Persons shall provide a summary of their personal transactions to the Chief Compliance Officer or his/her designee. Each Access Person must also provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Pennington Partners selects.

Pennington Partners and/or representatives of Pennington Partners may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Pennington Partners and/or representatives of Pennington Partners are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11, Pennington Partners has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Pennington Partners’ Access Persons.

## **Item 12 | Brokerage Practices**

In the event that the client requests that Pennington Partners recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Pennington Partners to use a specific broker-dealer/custodian), Pennington Partners may recommend certain broker-dealer/ custodians. Prior to engaging Pennington Partners to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Pennington Partners setting forth the terms and conditions under which Pennington Partners shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.

Factors that Pennington Partners considers in recommending a broker-dealer/custodian, investment platform and/or mutual fund sponsor include historical relationship with Pennington Partners, financial strength, reputation, execution capabilities, pricing, research, and service. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction

represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Pennington Partners will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Pennington Partners' best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Pennington Partners may receive from broker-dealer/custodian(s) without cost (and/or at a discount) support services and/or products, certain of which assist Pennington Partners to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Pennington Partners may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Pennington Partners in furtherance of its investment advisory business operations.

Pennington Partners' clients do not pay more for investment transactions effected and/or assets maintained at a particular broker-dealer/custodian as result of these arrangements. There is no corresponding commitment made by Pennington Partners to any broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

2. Pennington Partners does not receive referrals from broker-dealers.
3. Pennington Partners may accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Pennington Partners will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Pennington Partners. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.



Please Note: In the event that the client directs Pennington Partners to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Pennington Partners.

Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement.

To the extent that Pennington Partners provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Pennington Partners decides to purchase or sell the same securities for several clients at approximately the same time. Pennington Partners may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Pennington Partners' 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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Pennington Partners shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Trade Errors**

Pennington Partners generally considers a compensable error to be an error that results from its action or omission that does not meet the applicable standard of care and that results in a loss to the client. Sometimes an error results in a profit to the client. As appropriate, Pennington Partners will follow these resolution procedures:

- If Pennington Partners caused the error and the error resulted in a loss to the client's account, Pennington Partners corrects the error to place the client in the same position as if the error had not occurred.
- If Pennington Partners caused the error and the error resulted in a profit to the client account, with the client's consent, the client will keep the profit. If the client does not consent to the trade error profit, Pennington Partners will keep the profit and a corrected trade, as of the original date, is made in the account.
- If Pennington Partners did not cause the error, that party that cause the error is responsible for correcting the results of the error.
- If Pennington Partners shares responsibility for an error with another party, Pennington Partners pays the portion of any loss associated with its error.

### **Item 13 | Review of Accounts**

For those clients to whom Pennington Partners provides investment supervisory services, account reviews are conducted on an ongoing basis by Pennington Partners' representatives. All investment supervisory clients are advised that it remains their responsibility to advise Pennington Partners of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Pennington Partners on an annual basis.

Pennington Partners may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Pennington Partners may also provide a written periodic report summarizing account activity and performance.

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

As referenced in Item 12 above, Pennington Partners may receive an indirect economic benefit from a broker-dealer/custodian it recommends to clients. Pennington Partners, without cost (and/or at a discount), may receive support services and/or products from a broker-dealer/custodian.

Pennington Partners' clients do not pay more for investment transactions effected and/or assets maintained at these broker-dealer/custodian(s) as result of these arrangements. There is no corresponding commitment made by Pennington Partners to any particular broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

Neither Pennington Partners nor any related person of Pennington Partners directly or indirectly compensates any person for client referrals.

### **Item 15 | Custody**

Pennington Partners does not have physical custody of any client assets. Pennington Partners is permitted to direct the custodian to deduct advisory fees directly from the client investment accounts maintained by the custodian on a quarterly basis.

Clients receive an account statement quarterly directly from the broker-dealer/custodian and/or program sponsor showing all transactions occurring in the client's account during the period covered by the account statement and the funds, securities and other property in the client's account at the end of the period. Pennington Partners may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that Pennington Partners provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Pennington Partners with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of Pennington Partners' advisory fee calculation.

In the matter related to Private Funds, Pennington Partners is deemed to have custody of client assets by virtue of its ability to manage client assets in pooled investment vehicles, its role as investment manager to the Private Funds and Pennington Partners authority to deduct fees from client accounts. Pennington Partners does not have actual physical custody of any client assets or securities invested in such funds; rather, all such assets are held in the name of each of the applicable funds by an independent qualified custodian. In compliance with Rule 206(4)-2 of the Investment Advisers Act, the Private Funds are subject to an annual financial statement audit by an independent Certified Public Accountants in accordance with generally accepted accounting principles (GAAP), and investors receive annual financial statements within 120 days of each private fund's fiscal year end.

## **Item 16 | Investment Discretion**

The client can determine to engage Pennington Partners to provide investment advisory services on a discretionary basis. Prior to Pennington Partners assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Pennington Partners as the client's attorney and agent in fact, granting Pennington Partners full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Pennington Partners on a discretionary basis may, at anytime, impose restrictions, in writing, on Pennington Partners' discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Pennington Partners' use of margin, etc.).

Subject to the guidelines and objectives set forth in the applicable offering documents, Pennington Partners have discretionary authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Private Funds. Investors are not permitted to impose restrictions/limitations on the management of the Private Funds. However, Pennington Partners may enter into side letter agreements with one or more

investors in the Private Funds that alter, modify, or change the terms of the interests held by those investors.

#### **Item 17 | Voting Client Securities**

Pennington Partners does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Pennington Partners to discuss any questions they may have with a particular solicitation.

#### **Item 18 | Financial Information**

Pennington Partners does not solicit fees of more than \$1,200, per client, six months or more in advance.

Pennington Partners is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Pennington Partners has not been the subject of a bankruptcy petition.

Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.

#### **Item 19 | Privacy Notice**

Pennington Partners has adopted policies and procedures designed to keep client/investor information private and secure. We do not disclose any nonpublic personal information about our clients/investors or former clients/investors to any nonaffiliated third parties, except at the request of a client/investor or as permitted or required by law. In the course of servicing clients/investors, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers. We restrict internal access to nonpublic personal information about the client/investor to those persons who need access to that information to provide services to the client/investor and to perform administrative functions. Full the full text of our Privacy Policy, please contact our Chief Compliance Officer.