

# Form ADV Part II

This brochure provides information about the qualifications and business practices of FIC Capital, Inc. If you have any questions about FIC Capital or the contents of this brochure, please contact us:

FIC Capital, Inc.  
286 Madison Avenue  
11<sup>th</sup> Floor  
New York, NY 10017  
212-679-2100  
info@ficcapital.com

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. FIC Capital's registration as an investment advisor does not imply a specific level of skill or training.

Additional information about FIC Capital, Inc. is available at [www.ficcapital.com](http://www.ficcapital.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Last Updated: 11/10/14

## **Item 2: Material Changes**

No material changes.

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

<b><u>Item #</u></b>	<b><u>Item</u></b>	<b><u>Page</u></b>
1	Cover Page	1
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	5
6	Performance-Based Fees and Side-By-Side Management	9
7	Types of Clients	10
8	Methods of Analysis, Investment Strategies and Risk of Loss	11
9	Disciplinary Information	12
10	Other Financial Industry Activities and Affiliations	13
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
12	Brokerage Practices	16
13	Review of Accounts	20
14	Client Referrals and Other Compensation	21
15	Custody	22
16	Investment Discretion	23
17	Voting Client Securities	24
18	Financial Information	25
19	Requirements for State-Registered Advisers	26

## **Item 4: Advisory Business**

FIC Capital, Inc., a New York corporation, provides investment advisory services on a managed account basis and to FIC Trivantage Fund LP (“Trivantage LP”), a private investment fund. FIC Capital also provides financial consulting services. FIC Capital was founded in 1988, and previously operated under the name Ferguson Investment Consultants, Inc. In April 2010, FIC Capital combined operations with Redican Asset Management (“RAM”). The principals of FIC Capital and RAM have known each other and exchanged investment ideas for a long time prior to combining their respective operations, and specifically shared a common investment philosophy and approach to working with clients.

FIC Capital uses multiple methodologies in its investment decisions, including fundamental, quantitative, and technical analyses. FIC primarily invests in individual securities and funds.

### **Managed Account Clients:**

FIC Capital offers investment management services on an individual account basis, primarily on a discretionary basis. FIC Capital consults with clients regarding the appropriate investment objectives and strategy for the client's account on an ongoing basis. Clients are responsible for ensuring that all information provided to FIC Capital is accurate and up to date, particularly as it pertains to the suitability of the investment program and the client's personal financial condition or risk profile. Clients are required to inform FIC Capital if the investment program ceases to be appropriate for the client.

### **Trivantage LP:**

The rights and obligations of FIC Capital with respect to Trivantage LP are set forth in an investment management agreement by and between FIC Capital and FIC Partners LLC (“FIC Partners” and together with FIC Capital, “FIC”), the general partner of Trivantage LP, and the Limited Partnership Agreement with Trivantage LP.

The investment objective of Trivantage LP is to obtain superior long-term capital appreciation, in varying market conditions, by investing primarily on a long and short basis in a select number of publicly-traded equity and fixed income securities and other investments identified by FIC as likely to experience significant price appreciation or reduction. A full description of Trivantage LP's investment objective and strategy is set forth in Trivantage LP's Private Offering Memorandum, which will be delivered to prospective investors.

### **Principal Owners of FIC (25% or more):**

Jonathan A. Ferguson, CFA  
Lawrence W. Waterhouse III

### **Assets under Management (as of September 30, 2014):**

- |                     |               |
|---------------------|---------------|
| • Discretionary     | \$297,300,000 |
| • Non-Discretionary | \$25,700,000  |

<b>Total</b>	<b>\$323,000,000</b>
--------------	----------------------

## Item 5: Fees and Compensation

### Managed Accounts

Managed Account Clients pay FIC advisory fees (“Fees”) on a quarterly basis in arrears. Quarterly fees are calculated based on the average net asset value (“Average NAV”) of the Account Assets, as defined herein and discussed below. In any partial calendar quarter, Fees will be prorated based on the number of days that the Account was open during the calendar quarter. Unless separately negotiated, fees for a particular calendar quarter are the greater of either \$1,875 or a percentage (specified in the table below) of the Average NAV of the Account Assets.

<u>Average NAV of Account Assets:</u>	<u>Fee Rate for Quarter (Equivalent Per annum Fee Rate):</u>	
Up to the first \$500,000	0.375%	(1.50%)
In excess of \$500,000 up to \$1 Million	0.3125%	(1.25%)
In excess of \$1 Million. up to \$10 Million	0.25%	(1.00%)
In excess of \$10 Million. up to \$25 Million	0.1875%	(0.75%)
In excess of \$25 Million	0.125%	(0.50%)

#### Example:

If the Average NAV of the Account Assets for a calendar quarter is \$5,000,000, then the quarterly fee shall be calculated as follows:

The first	\$500,000	x	0.375%	=	\$1,875
The next	\$500,000	x	0.3125%	=	\$1,562.50
The next	\$4,000,000	x	0.25%	=	\$10,000
Total Fee for the calendar quarter					\$13,437.50

The term “Average NAV” means the average monthly net assets in the account during the billing period. For each billing quarter the Average NAV is calculated by averaging the value of the beginning net assets in the account at the start of the quarter (defined as the net assets in the account on the last day of the prior month), with the net assets in the account at the end of the last day of each month during the quarter.

The net asset value will be calculated by adding the value of all owned (long) positions less all borrowings, including short positions. Individual investment values will be determined using closing prices as listed on a national securities exchange on the applicable valuation date. In the event that an account is not open for the full billing period, the quarterly fee will be determined by prorating the quarterly fee into monthly and partial monthly rates, where applicable, and the corresponding Average NAV will be calculated on a monthly and a partial monthly basis.

Notwithstanding the foregoing, clients who had account relationships with REMCO Asset Management as of August 31, 2013 may pay asset-based fees quarterly in advance based upon the NAV of an account as of the last business day of the prior quarter. In any partial calendar quarter, Fees will be prorated based on the number of days that the Account is expected to be open during the quarter. If an account is closed before the end of a quarter FIC will reimburse the client for the unearned portion of the fees paid in advance.

In some instances, the effective fees charged by FIC may be temporarily discounted from the agreed upon rate at the discretion of FIC, and the discount may vary on a client-by-client basis. Reasons for a temporary reduction in fees may include, but are not limited to, the timing associated with investing large contributions, segregated assets, atypical allocation strategies, and other reasons as FIC may deem appropriate.

## **Item 5: Fees and Compensation**

In the event of a substantial contribution to and/or withdrawal from the account, defined as 10% or more of the net account value at the time of the contribution or withdrawal, the quarterly fee rate may be determined on a pro rata basis for the period leading up to the contribution/withdrawal and on a pro rata basis for the period immediately following the contribution/withdrawal. The corresponding Average NAV will be calculated for the partial period leading up to the contribution/withdrawal and for the partial period immediately following the contribution/withdrawal.

After the end of a calendar quarter, FIC will deliver a statement indicating the amount of fees owed by the client. These fees will be due and payable within ten (10) business days after the date that the Fee statement is delivered to the Client. Clients usually have instructions on file with the Custodian to pay Fees directly to FIC, or they otherwise make arrangements for the payment to FIC on a timely basis for each period during the term of the Investment Advisory relationship with FIC. Clients are responsible for verifying fee computations since custodians do not typically perform this task.

Clients are responsible for all investment and other account expenses, including all third party fees and expenses in connection with the client's account and the investment activities of the account. Such expenses and fees may include, without limitation: Custodian and other third party fees; commissions, clearing fees, interest and other borrowing costs; and withholding and transfer taxes. All of these expenses shall constitute separate, additional charges to the Client's account and shall not be offset against the Fees payable to FIC.

Clients can hire FIC on an hourly basis. Fee arrangements are negotiated and agreed to in advance with each client at a rate not exceeding \$500 per hour.

### **Trivantage LP**

The fee structure for Trivantage LP differs from the fee structure for Managed Account Clients.

#### **Trivantage LP Management Fee:**

FIC receives a management fee at a rate of 0.375% per quarter (1.5% per annum) of the net asset value of Trivantage LP. FIC accepts this fee for the management and administrative services provided by FIC to Trivantage LP and its assumption of various overhead and operating expenses. The management fee with respect to each limited partner's capital account will be calculated based upon the value of the limited partner's capital account at the close of business on the last business day of each calendar quarter (before giving effect to any limited partner withdrawals made in any calendar quarter), excluding the allocable share attributable to the capital account of the general partner and its affiliates and is payable in arrears.

The management fee is charged on a pro rata basis to the capital accounts of the limited partners, other than such limited partner(s), if any, as FIC shall designate; provided, however, that the portion of the management fee relating specifically to a side pocket account, if applicable, is charged against the capital accounts of the limited partners participating in such side pocket account in proportion to their respective interests therein; provided, further, that in no event is any limited partner charged a management fee greater than 0.375% of their total respective net assets per quarter as a result of such designation. FIC in its sole discretion may waive or reduce the management fee chargeable to any limited partner.

## **Item 5: Fees and Compensation**

### **Trivantage LP Performance Allocation:**

The general partner of Trivantage LP receives an annual performance allocation equal to 20% of the net profits (including realized and unrealized profits and losses) allocated to each limited partner for each fiscal year, but only on a “high-watermark” basis (i.e. any prior losses allocated to a limited partner must be recouped before the general partner may receive a performance allocation from such limited partner).

The general partner in its sole discretion may waive or reduce the performance allocation chargeable to any limited partner or reallocate any portion of its performance allocation to any limited partner, without notice to or action by the limited partners; provided, however, that no such waiver or reduction shall increase the amount thereof to be borne by any other limited partner.

### **Fees of Money Market Funds, Collective Investment Trusts, Exchange Traded Funds and Private Investment Funds in Which Trivantage LP May Invest**

As it considers appropriate, FIC may invest a portion of Trivantage LP's assets in one or more money market funds, collective investment trusts, exchange traded funds and private investment funds. When any such investments are made, an investor will be paying, in addition to the compensation payable to FIC, the investor's proportionate share of any fees charged by the managers of such funds.

### **Expenses of the Trivantage LP**

Trivantage LP pays, or reimburses FIC and/or its affiliates, for all operating expenses and other costs of Trivantage LP not required to be borne by FIC including, but not limited to:

- (i) accounting, bookkeeping and auditing fees and expenses (including the allocable share of the costs, fees and expenses relating to internal accounting and tax preparation functions – inclusive of salaries of FIC personnel performing such functions – should the general partner determine not to use third party providers for such services);
- (ii) legal fees and expenses, including, but not limited to, fees and expenses incurred in connection with Trivantage LP's Private Offering Memorandum and Trivantage LP's Limited Partnership Agreement, any offering of Trivantage LP Interests, Trivantage LP contracts and investments;
- (iii) all fees and disbursements of Trivantage LP's and FIC's attorneys, consultants and other third parties performing work benefiting Trivantage LP (including, without limitation, the legal and other fees, costs and expenses of Trivantage LP in any threatened or actual litigation or governmental investigation or proceeding, and the amount of any judgments or settlements paid in connection with such litigation or fines or penalties levied as a result of any such proceeding or investigation);
- (iv) insurance and bonding costs;
- (v) all trading expenses and transaction costs, including, but not limited to, brokerage commissions and expenses relating to short sales, clearing and settlement charges, interest on loans and debit balances, margin interest, broker service fees and other clearing and custodial expenses;
- (vi) fees or assessments in connection with any regulatory registrations, qualifications and/or approvals of Trivantage LP or FIC, and related compliance fees and expenses, deemed appropriate by the general partner or FIC;
- (vii) such research and portfolio management expenses as the general partner or FIC shall deem appropriate, which may include, but are not limited to, expenses incurred in connection with due diligence

## **Item 5: Fees and Compensation**

investigations or research as to investments or potential investments, including travel, lodging and other expenses incurred in connection with visits to companies, meetings, research symposiums and communications with company management, security holders, analysts and other third parties, costs of research reports, data feeds and databases, news wires and quotation services, periodical subscription fees and costs of software (including risk control software) utilized by the general partner or FIC in connection with managing Trivantage LP's portfolio;

- (viii) fees of Trivantage LP's registered agent;
- (ix) the cost of preparation and distribution of reports and statements to limited partners;
- (x) all filing and recording fees;
- (xi) all custodial fees, bank service fees, and fees or expenses associated with insuring Trivantage LP's assets,
- (xii) the management fee;
- (xiii) all applicable federal, state, local and foreign taxes payable by Trivantage LP; and
- (xiv) any extraordinary expenses, such as indemnification and litigation expenses.

All expenses incurred in the organization of Trivantage LP, estimated to be approximately \$50,000, will be borne, or reimbursed by Trivantage LP. For financial reporting and tax purposes, these expenses will be amortized by Trivantage LP during its first 60 months of operations. Amortization of such expenses over a period that is up to 60 months is a divergence from U.S. generally accepted accounting principles, which may, in certain circumstances, result in a qualification of Trivantage LP's annual audited financial statements. Amortization of organizational expenses will not exceed 0.25% per annum of the Trivantage LP's net assets (measured at the beginning of each applicable year).

Certain of Trivantage LP's or FIC's expenses may be borne or reimbursed by broker-dealers executing transactions for Trivantage LP.



## **Item 6: Performance-based fees and Side-by-side management**

The general partner of Trivantage LP will be entitled to receive an annual performance allocation equal to 20% of the net profits (including realized and unrealized profits and losses) allocated to each limited partner for each fiscal year, but only on a “high-watermark” basis (i.e., any prior losses allocated to a limited partner must be recouped before the general partner may receive a performance allocation from such limited partner). The general partner will also receive a ratable allocation of net realized and unrealized profits or losses of the Trivantage LP based upon its capital account balance.

The general partner in its sole discretion may waive or reduce the performance allocation chargeable to any limited partner or reallocate any portion of its performance allocation to any limited partner, without notice to or action by the limited partners; provided, however, that no such waiver or reduction shall increase the amount thereof to be borne by any other limited partner.

Jonathan A. Ferguson manages both the Managed Account Clients portfolios and the Trivantage LP. FIC has a conflict of interest by being incentivized to provide preferential treatment to Trivantage LP as it relates to the allocation of trades.

At times, trades may be allocated to both Trivantage LP and Managed Accounts. FIC endeavors to evaluate how much of a particular security is needed to be purchased or sold for both Trivantage LP and Managed Accounts through a pre-allocation process prior to trades being completed. In the event that the executed volume falls short of the pre-allocation review quantity, the allocation will occur on a first reviewed, first executed basis, provided that the allocation process may be modified in the case of unnecessarily high commissions (as in the case where a client may need to incur a second execution commission to complete the appropriate allocation).

When the Investment Advisor deems the purchase and sale of securities to be in the best interest of the Trivantage LP and Managed Accounts, it may aggregate the securities to be purchased or sold in order to obtain superior execution and/or lower brokerage expenses. In particular, execution prices for identical securities purchased or sold on behalf of multiple investment vehicles or accounts in any one business day may be averaged. In such event, the Investment Advisor will allocate the securities purchased or sold, as well as expenses incurred in the transaction, among the Trivantage LP and Managed Accounts by applying such considerations as it deems appropriate, including relative account size of such investment vehicles and accounts, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, tax considerations and other factors. As a result of such considerations, allocations among the Trivantage LP and Managed Accounts will not necessarily be *pro rata*. The Investment Advisor will give careful consideration that investment transactions and opportunities are fairly allocated among all clients, including both Managed Accounts and Trivantage LP, and that the same accounts are not always reviewed first. The Investment Advisor will endeavor to make all investment allocations in a manner that it considers to be the most equitable to all managed entities and accounts.

## **Item 7: Types of Clients**

### **Managed Accounts:**

FIC offers investment advisory services to affluent individuals, trusts, and pension plans. Managed Account Clients typically have prior experience with investment portfolios comprised of combinations of individual securities and funds, and actively seek portfolios customized to their unique risks and objectives. The minimum investment amount is \$500,000. FIC may from time to time waive or lower the minimum investment amount.

### **Trivantage LP:**

Each investor in Trivantage LP must be:

- (i) An “accredited investor” (as defined in Securities and Exchange Commission (“SEC”) Rule 501 promulgated under the Securities Act of 1933, as amended); and
- (ii) A “qualified client” (as defined in SEC Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended).

The minimum initial investment in Trivantage LP is \$1,000,000.

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

FIC's investment methodology relies primarily on fundamental research and analysis to identify investments that are undervalued (or, in the case of short positions, overvalued) by the marketplace, and to identify proper entry and exit points. Valuation methodology can include peer group, multiples, free cash flow, sum-of-the-parts, and discounted cash flow analyses with an emphasis on growth and return on invested capital as differentiators for uncovering value relative to current prices and expected future values.

Fundamental research may include an assessment of strengths, weaknesses, competitive positioning, opportunities, threats, tangible asset value, liquidation value, intangible asset value, and incremental profit and investment trends. Quantitative analysis may be used in support of fundamental research to assist in the identification of potential investment ideas, to understand and confirm fundamental relationships, to fine tune sector, industry, and/or macroeconomic related strategies, and to manage volatility. Proprietary quantitative trading systems may be used to optimize short-term volatility and returns as a functional enhancement to a fundamental investment position.

Managed Account portfolios employ an investment strategy based upon a multi-year investment horizon, with risk and volatility managed on an individual client basis through a combination of investment selection and asset allocation.

Sources of information include interviews, meetings, reports and analyses obtained via contact with economists, industry and company analysts, company management, competitors, employees, third-party research, and policy makers.

### **Managed Accounts:**

Investment strategies encompass individual security selection in addition to sector, market capitalization, interest rate, and economic based opportunities. Investment strategies derived from FIC's research and analyses may be implemented, depending on client suitability and objectives, using long and short positions in stocks, options and exchange traded funds. Although a long-term investment strategy is generally employed for managed accounts, on occasion conditions warrant a shorter-term focus and/or the use of margin (leverage) and alternative investment strategies, such as hedge funds and/or partnerships, where appropriate for the managed account client.

### **Trivantage LP:**

See the Private Offering Memorandum of Trivantage LP.

## **Item 9: Disciplinary Information**

FIC has not been the subject of any disciplinary action.

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

FIC does not have any other financial industry activities and affiliations.

## Item 11: Code of Ethics

FIC's Code of Ethics consists of a series of Principles and Statements that express in general terms the ethical and professional ideals of FIC Capital, its employees, and agents. The Principles are intended to provide guidance FIC requires adherence to its Code of Ethics by all employees and agents of FIC. FIC's Code of Ethics and Principles do not cover every situation that FIC may encounter. When instances arise that are not addressed explicitly or implicitly by its Code of Ethics, all employees and agents are expected to act in accordance with the highest ethical and moral principles and consult (as soon as reasonably possible) with the Chief Compliance Officer, either prior to or, if not practical, immediately following the resolution of the situation in question.

The Chief Compliance Officer of FIC is responsible for ensuring that all employees are aware of the Code of Ethics and understand the rules governing them. The Chief Compliance Officer encourages employees to discuss questions relating to business ethics or practices at any time they arise and to ensure that all activities continue to meet the rules outlined in the Code of Ethics. The Chief Compliance Officer reviews the adequacy of the Code of Ethics and the effectiveness of its implementation at least annually. Any inadvertent omissions from the Code of Ethics are added promptly and distributed to employees.

### Conflicts of Interest:

Employees must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to FIC clients, prospective clients, and FIC. Employees must ensure that such disclosures are prominent, are delivered in plain language, and that they have communicated the relevant information effectively.

Employees must disclose to FIC, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services.

### Trading Policies:

Client trades are executed ahead of employee or affiliated person trades. Employee or affiliated person trades may be completed alongside client trades when the intended client executed volume exceeds the total that should be allocated to clients. In addition, employee or affiliated person trades may be completed alongside client trades when the inclusion of employee or affiliated person trades together with client executed trades enables clients to receive a more favorable execution—which reasonably may occur in the trading of fixed income securities and less liquid investments. Trades may be allocated to the Hedge Fund, in which FIC employees and affiliated persons may have a direct investment,—ahead of Managed Accounts. Since portfolios cannot be evaluated simultaneously for suitability and appropriateness for a particular investment (or within sufficient time relative to a series of executions), as preliminary allocations are established those trades may be executed. Reasonable effort is applied to ensure that all portfolios are reviewed in a timely manner and that any specific account or accounts, including the Fund, are not given consistent preferential treatment in the allocation and execution process.

On occasion, FIC may recommend a cross-transaction between a client and another client or an employee or principal of the firm, thereby effectively acting as a principal in the transaction. In this type of situation, FIC policy is first to notify all parties involved and to engage only in this type of structured execution when it is beneficial for the client and appropriate for all parties involved. An example where this type of transaction structure may arise is during the necessary sale of a less illiquid security, such as a

## **Item 11: Code of Ethics**

bond, in which a better price for the client can be achieved by FIC acting as principal in the transaction. FIC policy is that the execution price be determined by the relevant broker/custodian (usually set at the midpoint between the best offering price and the best bidding price, as determined by the relevant broker/custodian).

FIC may, from time to time, recommend a security in which FIC, directly or indirectly, has an interest. For instance, managed account assets will be invested in securities of issuers in which one or more other managed accounts or Trivantage LP hold positions. In addition, Trivantage LP assets may be invested in securities of issuers in which one or more other managed accounts hold positions. Given the likely frequency of such occurrence, clients will not be provided with notification of such occurrences. This may represent a conflict of interest for FIC.

FIC requires adherence to the FIC Code of Ethics by all employees.

If you would like a copy of FIC's Code of Ethics, please contact us at 212-679-2100 or e-mail the Chief Compliance Officer at [temde@ficcapital.com](mailto:temde@ficcapital.com).

## Item 12: Brokerage Practices

FIC Capital has full investment discretion with respect to the initiation of all portfolio securities transactions for Trivantage LP as well as full authority to select broker dealers to execute such transactions. FIC designates one or more brokerage firms to act as “prime broker” for Trivantage LP. A firm appointed as Trivantage LP prime broker will have certain administrative responsibilities, including the issuance of account statements and information with respect to securities transactions. FIC may allocate a portion of Trivantage LP's securities transactions to another prime broker, subject to principles of best execution. FIC may in its discretion change its selection of a prime broker for Trivantage LP.

FIC generally has the authority to determine the securities to be purchased or sold for managed account clients. FIC also has the authority to select brokers and to determine the amount of commissions to be paid, subject to principles of best execution. Managed account clients, pursuant to their investment advisory agreement, may impose restrictions on the Adviser's broker selection ability.

Trivantage LP and managed accounts are hereinafter referred to collectively as the “Clients”.

FIC intends to allocate each Client's brokerage business on the basis of certain considerations. These include: the amount of commission, quality of execution, and the reputation, experience, financial stability, research, and analytic services of the broker-dealer involved.

The commissions a Client will pay to broker-dealers will not necessarily represent the lowest commission rates available, but will reflect FIC's evaluation of research and other brokerage related services supplied by such broker-dealers. In each case, FIC will make a determination that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of services provided to the benefit of clients.

Generally, in addition to a broker's ability to provide "best execution," FIC may also consider expertise in particular markets, quality of service, familiarity both with investment practices generally and the techniques employed by the Trivantage LP, and clearing and settlement capabilities.

Because many of the services or products could be considered to provide a benefit to FIC, and because the "soft dollars" used to acquire the services or products are considered client assets, FIC could be considered to have a conflict of interest in allocating client brokerage business. FIC could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation FIC might otherwise be able to negotiate. In addition, FIC could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

FIC's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a “safe harbor” for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), FIC will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to each broker is reasonable



## **Item 12: Brokerage Practices**

in relation to the value of all the brokerage and research products and services provided by the broker. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

### **Research and Brokerage Products and Services:**

"Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and databases) that provide lawful and appropriate assistance to FIC in the performance of its investment decision-making responsibilities for clients. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

### **Other Uses and Products:**

FIC may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution), but for our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that FIC must pay directly.

### **Mutual Fund Transactions:**

Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, we may, consistent with our duty of best execution, determine to cause client accounts to pay transaction fees that may be higher than those obtainable from other broker-dealers when purchasing shares of certain no-load mutual funds in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

### **Amount and Manner of Payment:**

A broker-dealer through which FIC wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm

## **Item 12: Brokerage Practices**

does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits."

We do not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

The research obtained through a Client's brokerage allocations, whether or not directly useful to it, may be useful to FIC in connection with services rendered by FIC and its affiliates to the Client, another client or other entities or managed accounts managed by FIC or its affiliates. Similarly, research obtained FIC or such affiliates for commissions paid to brokers in the course of managing other entities, including the Client, or managed accounts may be useful to the Client. Since any particular research obtained by FIC may be useful to the Client and such other managed account clients or entities, FIC, in considering the reasonableness of brokerage commissions paid by the Client, will not attempt to allocate the relative costs or benefits of research as between the Client, another Client and other clients or managed entities except in limited circumstances where appropriate.

When FIC deems the purchase or sale of securities to be in the best interest of a Client and any other Clients, FIC and such affiliates may aggregate the securities to be purchased or sold by all such entities and clients in order to obtain superior execution or lower brokerage expenses. In particular, execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged. In such events, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among the Client and any other participating Clients by applying such considerations as FIC and its affiliates deem appropriate, including relative account size of such entities and clients, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, investment objective and strategy considerations (including, without limitation, concentration parameters, tax considerations and other factors). Although such allocations may be pro rata as to the Client and other Clients, they will not necessarily be so.

No Client will be entitled to investment priority over another Client or other managed entities or accounts and will not necessarily participate in every investment opportunity. FIC will endeavor to make all investment allocations in a manner which it considers to be the most equitable to all Clients.

With respect to any managed accounts where brokers are identified and selected by the Client, rather than FIC, the Client will be responsible for negotiating the terms and arrangements for the client's account with the broker. In such cases, FIC will have no responsibility with respect to the identification and selection of brokers or the terms of execution and other services provided by such brokers. As a result, such accounts may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on their transactions than would otherwise be the case.

With respect to its managed account business, FIC participates in the TD Ameritrade Institutional program, the Pershing Advisor Services program, and the RBC Advisor Services (collectively, "Institutional Programs"). TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. The Institutional Programs are independent and unaffiliated SEC-registered broker dealer and FINRA members. The Institutional Programs offer independent

## **Item 12: Brokerage Practices**

investment adviser services which include custody of securities, trade execution, clearance and settlement of transactions. FIC receives some benefits from the Institutional Programs through its participation in the programs. FIC and/or its representatives may receive benefits such as assistance with conferences and educational meetings from product sponsors. These benefits may include the following products and services (provided without cost or at a discount):

- i. receipt of duplicate client statements and confirmations;
- ii. research related products and tools;
- iii. consulting services;
- iv. access to a trading desk;
- v. access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- vi. soft-dollar accounts;
- vii. the ability to have advisory fees deducted directly from client accounts;
- viii. access to an electronic communications network for client order entry and account information;
- ix. access to mutual funds with no transaction fees;
- x. and discounts on compliance, marketing, research, technology, and practice management products or services provided to applicant by third party vendors.

The Institutional Programs may also pay, at some point, for business consulting and professional services received by FIC and/or related persons. Some of the products and services made available by the Institutional Programs may benefit FIC but may not benefit Client accounts. These products and services may assist FIC in managing and administering Client accounts, including accounts not maintained in the Institutional Programs. These benefits received by FIC do not depend on the amount of brokerage transactions directed to the Institutional Programs. As disclosed above, FIC participates in TD Ameritrade and Pershing's institutional customer program and may recommend them to Clients for custody and brokerage services. There is no direct link between FIC's participation in either program and the investment advice it gives to its Clients, although the Advisor receives economic benefits through its participation in the TD Ameritrade program that are not available to TD Ameritrade retail investors.

As part of its fiduciary duties to Clients, FIC endeavors at all times to put the interests of its Clients first. As outlined above, however, participation in the Institutional Programs and the products and services received from other broker-dealers that may be acting as custodian and broker for some Client accounts creates a potential conflict of interest where FIC may have an economic incentive to recommend a specific broker dealer to Clients for reasons other than best execution and services that directly benefit the Client. It is the policy of FIC not to engage, negotiate or pursue services or products that may be provided to the firm by any broker-dealer (or related party) based upon set levels of business or profitability of the firm's business with any broker-dealer where it would cause the firm to violate its fiduciary duty to clients in any way.

## **Item 13: Review of Accounts**

Accounts are reviewed on a periodic basis – either as a specific, targeted comprehensive review or as part of a broader review of accounts and/or portfolios to determine the case by case suitability of a prospective investment purchase, sale, or asset reallocation. Reviews may be performed more frequently as market conditions and/or client circumstances dictate. Reviews may also be triggered by changes in client risk/reward parameters, significant changes in a portfolio's asset allocation, or securities trading activity.

### **Managed Accounts:**

Quarterly reports are sent to clients. These reports include portfolio value, realized gains and losses, income received, cash added, distributions, expenses, management fees, asset allocation, top holdings, sector allocation, holding percentages, market value, security names and quantity, and performance. These reports are generally compiled both on a combined and an individual account basis. In addition, clients receive quarterly insight on the economy, market conditions, and periodic updates on specific holdings.

### **Trivantage LP:**

After the end of each month (or such other period as FIC may determine), each investor in Trivantage LP is provided with unaudited financial information for such period with respect to the performance of Trivantage LP and their individual interest in Trivantage LP. After the end of each fiscal year, each investor in Trivantage LP will be provided with audited financial information with respect to the performance of Trivantage LP, as well as information regarding the status of the investor's capital account and certain tax reporting information.

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

FIC does not currently have any formal arrangements directly or indirectly with any person for client referrals. However, FIC may on occasion compensate individuals for client referrals. All such compensation is fully disclosed to each client consistent with applicable law, which includes prior disclosure to the prospective client prior to the execution of an Investment Advisory Agreement.

Any client that is obtained thru a referral relationship will not incur any additional fees or expenses. Any such referred activities will be conducted in accordance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, to the extent applicable.

## **Item 15: Custody**

The Trivantage LP will have custody of client assets. The General Partner of Trivantage LP intends to initially entrust the custody of the Trivantage LP's assets to Pershing as clearing broker. The General Partner may change the custodian, or retain additional custodians, in its sole discretion. As such, following the end of each fiscal year, the General Partner will deliver to each Limited Partner audited financial statements of the Trivantage LP for such year, as well as a statement of each Limited Partner's capital account and certain tax information for the preparation of income tax returns.

## **Item 16: Investment Discretion**

The Adviser will generally have the authority to manage the securities to be purchased or sold for the Trivantage LP and Managed Account clients. FIC also has the authority to select brokers and to determine the amount of commissions to be paid, subject to principles of best execution. Managed Account clients, pursuant to their investment advisory agreement, may impose restrictions on the Adviser's broker selection ability.

All Managed Accounts of FIC are required to sign an Investment Advisory Agreement. Upon the execution of the Investment Advisory Agreement, FIC has discretionary authority to manage the client accounts, subject to any mutually agreed upon limitations to the types of securities and investment strategies that may be employed. All Limited Partners of the Trivantage LP are required to sign subscription documents.

## **Item 17: Voting Client Securities**

FIC Capital does not accept proxy voting authority with respect to client securities holdings for its Managed Accounts. Consequently, all proxy solicitations related to securities held in the Managed Accounts of FIC Capital are sent directly to the client for voting.

FIC Capital has adopted and implemented the following policies and procedures that it believes are reasonably designed to ensure proxies are voted in the best interest of Trivantage LP clients. FIC votes Trivantage LP proxies in a manner that is consistent with the best interests of Trivantage LP clients. FIC evaluates proxy statements and submits votes after determining that the benefit to Trivantage LP and its clients reasonably exceeds the cost of evaluating and voting the Proxy. All decisions regarding proxy votes will be conducted by an officer of the Adviser or the Manager of Trivantage LP.

The Adviser is sensitive to any conflicts of interest that may arise in the proxy voting process. If a principal of the Adviser or an immediate family member is on the Board or currently serves as a director or executive officer for the issuer of the security, that person subject to the conflict of interest will be excluded from the proxy voting process and will not be involved in making the voting decisions for that security.

FIC provides all clients with a copy of our Proxy Voting Policy and upon verbal request a detailed report on how their proxies were voted. FIC Capital, as required by the Securities and Exchange Commission, will maintain a record of all votes cast for the Trivantage LP.



## **Item 18: Financial Information**

FIC does not require prepayment of more than \$1,200 in fees per client six months or more in advance and is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

## **Item 19: Requirements for State-Registered Advisers**

FIC is an SEC-registered investment adviser and is not subject to requirements for state-registered advisers.