

**Wrap Fee Brochure**

**November 16, 2015**

**General Advisory Account Program**

**Allocation Strategies Program**

**Model Portfolio Program**

**Sponsored by:**



**FIRST REPUBLIC INVESTMENT MANAGEMENT**

**It's a privilege to serve you®**

*A Registered Investment Adviser*

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San Francisco, CA 94111

[http://www.firstrepublic.com/private\\_wealth\\_management/investment/index.html](http://www.firstrepublic.com/private_wealth_management/investment/index.html)

This wrap fee program brochure provides information about the qualifications and business practices of First Republic Investment Management, Inc. ("Adviser") or ("FRIM"). If you have any questions about the contents of this brochure, please contact us at (415) 288-1400. 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 Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Adviser is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## ITEM 2. MATERIAL CHANGES

On October 1, 2015, First Republic Investment Management, Inc. acquired substantially all of the assets of Constellation Wealth Advisors, a Registered Investment Adviser with offices in New York, NY and Menlo Park, CA.

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## ITEM 4. SERVICE, FEES AND COMPENSATION:

Adviser offers a broad array of internally managed investment services and, through an open architecture model, access to investments managed by unaffiliated advisors. Adviser's and its affiliates' wealth management services include a variety of investment strategies and products, trust and custody services, full service and online brokerage, financial and estate planning, access to alternative investments (private equity, venture capital, hedge and real estate funds), socially responsible investing and foreign exchange.

A "wrap program" (a "Program") is an advisory Account with an asset-based fee arrangement that covers both advisory fees and the cost of brokerage. Adviser has an investment advisory program for which an advisory fee is charged, but Clients are not charged commissions for most brokerage services (although certain additional expenses and fees may be charged to the Client).

### GENERAL ADVISORY ACCOUNT WITH BROKERAGE CHARGES WAIVED.

Clients of Adviser have the choice of having securities in their investment advisory accounts held in custody through First Republic Securities Company, LLC ("FRSC"), an affiliate of Adviser (with accounts carried at FRSC's unaffiliated clearing broker, Pershing, LLC). For certain new brokerage accounts established at FRSC to hold Adviser-advised accounts, brokerage commissions are waived on transactions that are placed through FRSC. As described more fully below under "Other Charges," Clients may incur additional fees even when FRSC is not charging commissions. Adviser compensates FRSC for this service with a monthly fee per account based on the assets in the account. Clients of Adviser are not charged an additional fee for this brokerage arrangement. This fee arrangement is not limited to a particular investment management program or style at Adviser. Adviser may manage accounts in a variety of styles to meet the needs, investment objectives and stated preferences of the Client and the requirements of the Client's Investment Policy Statement ("IPS"). Portions of the Client's account may be managed using one or more elements or models of the Allocation Strategies Program described below.

Certain other securities broker-dealers that are not affiliated with Adviser currently make available to certain Adviser Clients similar accounts with fee arrangements in which brokerage commissions are waived, and Adviser in its discretion may approve similar fee arrangements for Clients with additional brokerage firms.

If the Client selects a different brokerage firm to hold custody of the Client's account, that other brokerage firm may charge commissions or other fees and expenses to Client's account that are in addition to the fees charged by Advisor.

### ALLOCATION STRATEGIES PROGRAM.

The Allocation Strategies Program is an investment management program of Adviser by which the assets in a Client's account are allocated and periodically reallocated by Adviser among various investments in investment funds or third-party investment managers. Through the Allocation Strategies Program Adviser provides Clients with the ability to invest in certain securities and investment products without incurring separate brokerage commissions or transaction charges. The Allocation Strategies Program is designed to deliver the Adviser's best thinking around tactical asset allocation and manager selection in a wide variety of models and strategies.

The Allocation Strategies Program includes First Republic's centrally traded model solutions. Centrally traded model provide scalable discretionary investment management for accounts.

Minimums:

Single strategy minimums are \$100,000

Allocation strategy minimums are \$50,000

Model portfolio solutions come in two categories: 1) Asset Allocation Strategies and 2) Single Strategy Models.

The centrally traded model strategies are generally available to individuals, joint account holders, Individual Retirement Accounts, trusts and charitable organizations.

#### Allocation Strategies – Asset Allocation Models

The Allocation Strategies are designed to deliver the firm's best thinking combining a top-down tactical asset allocation approach with bottom up manager selection.

The models are offered in a variety of options:

- 4 risk buckets, ranging from Growth & Income to Growth
- 15% or 25% in Liquid Alternatives
- Taxable or tax-exempt fixed income
- Active managers or Passive index strategies

#### Rebalancing

Rebalancing is generally defined as the process of reallocating a portfolio of assets back to a target asset allocation. The objective is to keep assets from straying too far from the established risk tolerance. The centrally traded allocation strategies are constructed from the top down, with asset class ranges for each risk profile. The allocation strategies are dynamically managed and may be overweight or underweight certain asset classes relative to a "Strategic" long term target.

All accounts are rebalanced annually (typically in January). Additional rebalancing may occur when an asset class drifts outside its min/max range. To the extent that any large additions or withdrawals of funds skew allocations, a rebalance back to tactical weights can occur.

#### Pricing

These allocation strategies are priced using the same tier levels as a normal FRIM account:

- 1.5% on the first \$2,000,000
- 1.0% on \$2,000,000 to \$10,000,000
- Effective January 1, 2015, for new individual/family relationships, the minimum annual fee will be \$7,500

#### Customization:

In addition to the many versions of the strategies that are available, we are also able to offer some customization for clients, such as:

- For accounts funded with securities, waiting to sell non-model securities until they are eligible for long-term capital gains tax treatment.

## HOW TO ESTABLISH AN ACCOUNT

To join the Allocation Strategies Program, or establish a General Advisory Account with brokerage commissions waived, a Client must:

- (1) Complete an Account application to establish an investment advisory relationship with Adviser;

- (2) Discuss your financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to your specific financial situation with your representative or, alternatively, complete an investor profile and any other supporting documentation the Program requires;
- (3) Complete the appropriate investment advisory agreement (the "Agreement") with Adviser;
- (4) Complete an Account application with First Republic Securities Company ("FRSC") or another broker dealer that agrees to waive commissions that Adviser approves for participation in the Program; and
- (5) Open a securities brokerage Account at Brokerage Firm and deposit cash or other assets into the Account designated for participation in the Program; and
- (6) Receive and approve an Investment Policy Statement ("IPS") from Adviser.

Adviser analyzes information provided by the Client and works with the Client to develop an appropriate investment strategy for the Client's Account. Clients should discuss their needs and investment goals and objectives with Adviser and keep Adviser informed of any changes to their financial situation, needs and investment goals or objectives. Adviser contacts Clients at least annually to review the Account and to determine whether changes should be made to the Client's investment strategy.

A Client may impose reasonable investment restrictions on the management of the Client's Account, which may direct Adviser not to purchase certain securities for the Client's Account. If the request for restrictions is deemed reasonable by Adviser (or by the third-party investment manager ("Independent Manager") recommended by Adviser to manage the applicable portion of Client's Account) and does not unduly interfere with the implementation of the Allocation Strategies Program for the Client, Adviser or the Independent Manager may select replacement securities as appropriate. Restrictions placed on an Account may positively or negatively affect Account performance, and may cause the Account to perform differently than other similar Accounts with no restrictions. Restrictions cannot be placed on the investments of pooled investment vehicles (mutual funds, ETFs or Private Funds) although the Client can request that the Account not invest in particular pooled investment vehicles. A Client has the right to withdraw securities or cash from an Account, pledge assets in the Account, vote securities or delegate to another person the authority to vote securities held in an Account, or bring a legal action as an investor directly against the issuer of a security held in Client's Account.

## MANAGEMENT OF THE CLIENT'S ACCOUNT

Clients enter into investment advisory agreements with Adviser that grant Adviser either discretionary authority to buy, sell, and otherwise trade in the types of securities described in Item 6 below or non-discretionary authority to recommend such investments subject to approval by Client or its authorized persons. Each Client Account is managed by one of Adviser's investment adviser representatives.

The Client or Adviser enters into a separate written agreement with each Independent Manager establishing the terms and conditions for those arrangements. Adviser provides on-going services to the Client for monitoring and review of Account performance and Adviser receives a periodic fee based upon a percentage of the value of the assets managed by the Independent Managers. A portion of Client Account assets may be invested in mutual funds, ETFs or other pooled investment vehicles for certain asset classes, even for larger sized Accounts.

For other Allocation Strategies Program Clients (generally those with Account assets under \$500,000, but in some cases with larger Accounts), Adviser recommends an allocation of Client Account assets into investments in a variety of mutual funds or ETFs.

Adviser considers a variety of factors in recommending Independent Managers, mutual funds or ETFs, which may include, among other considerations, the Client's investment objectives and the Investment Policy Statement approved by the Client, and the Independent Manager's or fund's asset class, management style, performance, reputation, and financial strength, as well as considerations related to research, reporting, and pricing. Clients receive written disclosure brochures of the

Independent Managers that manage the Client's Account and prospectuses of mutual funds into which Client assets are invested.

## FEES FOR THE PROGRAM

Adviser provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Adviser. For services provided outside of the Program, Adviser's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Adviser's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Adviser on the last day of the previous quarter. The annual fee varies (between 0.15% and 2.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

Adviser may, intentionally or inadvertently, purchase securities on margin notwithstanding adequate available cash or cash equivalents in Client account. Such margin purchases will cause Client account to incur margin interest while simultaneously increasing the assets on which the management fee is based, and all while unnecessarily magnifying the profit or loss potential on the more speculative securities held in your account. By signing the margin account agreement, Client accepts and consents to this.

Adviser, in its sole discretion, may negotiate to charge a lesser 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, pre-existing client, account retention, pro bono activities, etc.).

## FEE COMPARISON

Clients of Adviser have a choice of two different types of fee arrangements. Under one type of fee arrangement, Adviser provides advisory services similar to the Program, in which Clients pay a fee to Adviser for advisory services, and separately pay broker-dealers' commissions or other charges for brokerage and custody services. This type of fee arrangement is not considered a "wrap program."

Program Clients, in contrast, receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the Program Fee. The Program Fee may also include the management and transaction fees charged by the Independent Managers. Participation in the Program may cost the Client more or less than purchasing such services separately. The number of transactions made in the Client's Account, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The Program Fee structure may create an incentive for Adviser or an Independent Manager to trade less frequently for a Client's Account in order to reduce uncompensated brokerage or other transaction costs. The Program Fee may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

Adviser may pay compensation to its personnel or indirectly to FRSC or Bank personnel (or to other broker-dealers, banks and advisers) for referrals or investments of referred Clients into the Program. This compensation may be higher than would be paid on referrals for other services available from Adviser, which may provide a financial incentive for persons to recommend or refer Clients to the Program over other services or products.

## OTHER CHARGES

Clients may incur additional charges imposed by third parties (including FRSC's clearing broker), or in some cases to Adviser or its affiliates, in addition to the Program Fee. These fees may include fees charged by Independent Managers (for certain Clients), charges imposed directly by a Private Fund (and the funds or managers in or with which a Private Fund invests), mutual fund or exchange-traded fund in the Account, which is disclosed in the fund's private placement memorandum or prospectus (fund management fees and other fund expenses), deferred sales charges, odd-lot differentials,

transfer taxes, margin fees and interest, wire transfer and electronic funds transfer fees, and other fees and taxes on brokerage accounts and securities transactions. Investments through an advisory Account into mutual funds, ETFs, Private Funds or other pooled investment funds involves payments of two or more levels of fees: one to the Adviser at the advisory Account level, and another through the investment fund to the manager of the investment fund. If the investment fund in turn invests in other funds, there may be additional levels of fees, which in the aggregate reduce net returns. If the Client were able to invest directly in the underlying investment funds (not all of which may be available for direct investment to a Client), one or more levels of fees might be avoided.

## **FEES FOR MANAGEMENT DURING PARTIAL QUARTERS OF SERVICE**

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The Agreement between Adviser and the Client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Adviser's fees are prorated through the date of termination and any remaining balance is charged or refunded to the Client as appropriate.

Clients may make additions to and withdrawals from their Account at any time, subject to Adviser's right to terminate an Account. Additions may be in cash or securities provided that Adviser reserves the right to liquidate any transferred securities or decline to accept particular securities into a Client's Account. Adviser may consult with its Clients about the options and ramifications of transferring securities. However, Clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Clients may withdraw Account assets on notice to Adviser, subject to the usual and customary securities settlement procedures. However, Adviser designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a Client's investment objectives. If assets are deposited into or withdrawn from an Account after the inception of a quarter that exceed \$25,000,000, the fee payable with respect to such assets may be prorated based on the number of days remaining in the quarter.

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Fees paid by existing Clients remain in effect unless a Client is notified of any change in accordance with the terms of the Agreement. Fees are based on the amount of assets managed and are normally paid quarterly in advance based on the current market value of the assets at the end of the preceding quarter, however, a number of Clients are billed in arrears.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **TYPES OF CLIENTS**

Clients may include individuals, families, trusts and estates, charitable organizations, foundations, endowments or other organizations.

### **PORTFOLIO MINIMUMS**

For General Advisory Accounts with FRSC brokerage fees waived, portfolio are generally required to be \$250,000.00 or more, and fee waiver applies to new accounts only.

Minimums for Allocation Strategies:

Single strategy minimums are \$100,000



Allocation strategy/Model Portfolio minimums are \$50,000

## ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION

Adviser is the sponsor and adviser to the Allocation Strategies Program and for General Advisory Accounts with brokerage commissions waived. The information provided in Item 6 below explains the advisory business of Adviser.

### Financial Planning and Consulting Services

Adviser may provide its Clients with a broad range of comprehensive advisory, financial planning and consulting services. A more complete description of Adviser's other services is contained in Adviser's Form ADV Part II, which is available upon request. In performing its services, Adviser is not required to verify any information received from the Client or from the Client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Adviser may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Adviser recommends its own services. The Client is under no obligation to act upon any of the recommendations made by Adviser under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Adviser itself. The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Adviser's recommendations. Clients are advised that it remains their responsibility to promptly notify Adviser if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Adviser's previous recommendations and/or services.

### Investment Management Services

Clients can engage Adviser to manage all or a portion of their assets on a discretionary or non-discretionary basis. Adviser primarily allocates Clients' investment management assets among Independent Managers (as defined below), mutual funds, exchange-traded funds ("ETFs"), and individual debt and equity securities in accordance with the investment objectives of the Client. Smaller Accounts are eligible for the Mutual Fund Allocation Model and the ETF Allocation Model. Larger Accounts are eligible for the Core Equities Allocation Model in which Client assets are allocated to separate Account managers for investment in individual securities as well as into mutual funds, ETFs and other pooled investments. Adviser may also directly manage a portion of Client's Account invested in individual securities.

In addition, Adviser may recommend that Clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the Clients' investment objectives and risk tolerance. Adviser may also provide advice about any type of investment held in Clients' portfolios.

Adviser also may render non-discretionary investment management services to Clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the Client's primary custodian. In so doing, Adviser either directs or recommends the allocation of Client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Adviser tailors its advisory services to the individual needs of Clients. Adviser consults with Clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the Clients' investment needs. Adviser ensures that Clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

## USE OF INDEPENDENT MANAGERS

As mentioned above, Adviser recommends that certain Clients authorize the active discretionary management of a portion of their assets by one or more independent investment managers ("Independent Managers"), and/or in mutual funds or other investment funds based upon the stated investment objectives of the Client as reflected in the IPS. The terms and conditions

under which the Client engages the Independent Managers are set forth in a separate written agreement between Adviser or the Client and the designated Independent Managers. Adviser also monitors and reviews the Account performance and the Client's investment objectives. The firm receives an annual advisory fee based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

When recommending or selecting an Independent Manager, mutual fund or other investment fund for a Client, Adviser reviews information about the Independent Manager or fund such as its disclosure brochure and/or material supplied by the Independent Manager fund or independent third parties for a description of the Independent Manager's or fund's investment strategies, past performance and risk results to the extent available. Factors that Adviser considers in recommending an Independent Manager or fund include the Client's stated investment objectives, as well as the Independent Manager's or fund's management style, performance, reputation, financial strength, reporting, pricing, and research. In addition to Adviser's written disclosure brochure, the Client also receives the written disclosure brochure of the designated Independent Managers and prospectuses or private placement memoranda of mutual funds or Private Funds or other funds.

The Investment Committee chooses independent managers and/or funds, based on publically available performance information and, on occasion, proprietary research and due diligence visits to the locations of the independent managers and/or funds.

Adviser may directly manage a portion of a Client Account, if consistent with the IPS and retain the fee for managing that portion of the Account. The fee retention may create a financial incentive for Adviser to recommend its own management for a portion of the Account. Adviser addresses this conflict by only allocating that portion of a Client Account where Adviser has a core competence and track record, and can manage the account in a more efficient and effective manner than if unaffiliated managers were utilized (for example, core US equity and/or fixed income, for larger accounts).

#### Model Portfolio Program:

If consistent with the IPS, Adviser may allocate a portion of a Client Account to investment by Adviser using an investment model, strategy or recommended portfolio obtained from a third-party. In this case, Adviser, rather than the third-party, makes investment decisions and implements the investment model, strategy or portfolio. Adviser may follow the third-party's model, strategy or recommendations exactly, or may depart to some degree from the model, strategy or recommendations. In this context, the third-party is not an "Independent Manager" (as defined above) for the Client's Account and is not acting as an adviser to the Client's Account, but instead provides information to Adviser and licenses Adviser the right to make use of the model, strategy or portfolio at Adviser's discretion.

## PRIVATE INVESTMENT FUNDS

Adviser is the investment adviser to a family of private investment funds, including a variety of "funds of funds" and "feeder funds" that invest substantially all of their portfolio assets through investments in investment funds managed by investment managers that are not affiliated with Adviser (the "Private Funds"). The Private Funds are operated in connection with the advisory services of FRIM as a means of providing Clients with access to a range of alternative asset classes and third-party managers that are not readily available through investments in publicly-offered securities, such as hedge funds, commodities, private equity, venture capital, distressed assets, real estate and other investments. The Private Funds pay fees to Adviser for services. Adviser pays fees to FRSC for acting as private placement agent to the Private Funds.

Interests in the Private Funds are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The Private Funds currently rely on an exemption from registration in reliance on Section 3(c)(1) and/or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Investment Company Act").

If eligible, Adviser may recommend that certain Clients invest in the Private Funds. Information, terms and conditions regarding the Private Funds, including the compensation received by Adviser or an affiliate, redemption rights, minimum investments, qualification requirements, suitability, risk factors, potential conflicts of interest, are set forth in the relevant private placement memorandum (the “PPM”), investor agreement, and subscription agreement (together the “Offering Documents”), which each investor is required to receive and execute prior to investing in the Private Funds. Generally, investors in the Private Funds will be limited to persons and entities that are both “accredited investors” within the meaning of SEC Regulation D and “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act and related SEC rules and interpretations.

Clients should be aware that any losses in a Private Fund will be borne solely by investors in the Private Fund and not by the Adviser or its affiliates. Adviser’s and its affiliates’ losses in a Private Fund will be limited to losses attributable to the ownership interests (if any) in the Private Fund owned by Adviser and its affiliates or subsidiaries in their capacity as investors as principals in the Private. A Client should read the Private Fund’s offering documents before investing in a Private Fund. Ownership interests in a Private Fund are not insured by the FDIC, and are not deposits, obligations of, or endorsed or guaranteed in any way by Adviser, FRSC, First Republic Bank or any other banking entity.

Adviser may give advice or take action with respect to the Private Funds that differs from that for individual Client Accounts. To the extent that a particular investment is suitable for both the Private Funds and certain individual Client Accounts, and Adviser selects the investments for both types of Accounts, such investments will be allocated between the Private Funds and the individual Client Accounts pro rata based on the assets under management or in some other manner which Adviser determines is fair and equitable under the circumstances to all of its Clients.

#### Differences in Management Between Wrap and Non-Wrap Accounts

The services and management style provided in the Program is similar to that provided through Adviser’s non-wrap service. In the Program, however, Adviser provides its investment management services and arranges for brokerage transactions under a single annualized fee. For certain participants in the Program, investment management fees charged by the designated Independent Manager(s) is in most instances included in the single annualized fee.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Adviser’s security analysis methods include: charting, cyclical, fundamental technical and other analysis, use of investment models, strategies and recommended portfolios licensed from third party asset managers, as well as utilization of third party internet based market timing models. Adviser uses affiliated and third party fundamental research to make investment decisions.

Adviser utilizes a third-party vendor that provides consulting, database, data processing and support services and software (including Asset Optimization modeling software) to Adviser.

Adviser uses these resources to provide advice to Client on asset allocation and selection of investment managers and investment funds for investment of the Client's Account (which may include investment managers that are affiliated or unaffiliated with Adviser and investment funds managed by companies that are affiliated or unaffiliated with Adviser), and periodic review, reporting and reallocation of the Client's assets.

Independent Managers recommended to Client shall have investment discretion over portions of Client's assets in the Account. Except as specified below, or where a portion of the Client Account is allocated with Client consent to Adviser to manage through investments in individual securities, Adviser does not make investment decisions regarding individual stocks and bonds, including buying or selling securities for the Account without prior consultation with, and consent of, Client. Client understands that if Adviser cannot obtain the consent of Client regarding a particular securities transaction, Client may forego the transaction. Adviser may, however, (i) make recommendations regarding investments for the Account, including

recommendations regarding investment managers and custodians, as specified in the Client's IPS or other Client communication; and (ii) rebalance Client's Account on a quarterly basis to conform to the percentages or amounts of Client's Account managed by each investment manager or investment fund to the percentages or amounts previously approved by Client in the IPS or other written Client communication (and Client has authorized Adviser to send instructions to the Custodian and to the relevant investment managers and investment funds to move portions of Client's Account assets among investment funds and investment managers to accomplish such rebalancing).

For those Client Accounts in which Adviser is allocated a portion of the Account for direct management, the main sources of information Adviser uses include: financial newspapers and magazines, market timing services, inspections of corporate activities, annual reports, prospectuses, filings with the Securities and Exchange Commission, research materials prepared by others, company press releases, corporate rating services and use of investment models, strategies and recommended portfolios licensed from third party asset managers. Where the Adviser directly manages a portion of the Account, the investment strategies used by Adviser to implement any investment advice given to Clients include: long term purchases, short term purchases, trading (securities sold within 30 days), margin transactions, short sales, and option writing (including covered options, uncovered options or spreading strategies). Adviser offers advice on the following types of Investments: equity securities, exchange-listed securities, securities traded over-the-counter (including the pink sheets), foreign issues, warrants, corporate debt securities (other than commercial paper), commercial paper, certificates of deposit, municipal securities, United States government securities, options contracts on securities and interests in partnerships or limited liability companies or other funds that invest in private equity, venture capital, real estate, oil and gas interests and commodities or other assets.

Adviser may allocate a portion of a Client Account to investment using an investment model, strategy or recommended portfolio obtained from a third-party. In this case, Adviser, rather than the third-party, makes final investment decisions and implements the investment model, strategy or recommended portfolio. Adviser may follow the third-party's model, strategy or recommendations exactly, or may depart to some degree from the model, strategy or recommendations. The third-party is not acting in this case as adviser to the Client, generally does not review or have access to Client account information, and does not tailor the model, strategy or recommendations to the Client's situation and needs, although Adviser may do so. Because the third party may use the model, strategy or recommendations to manage its own clients' accounts and its proprietary or investment fund assets, and may sell the model, strategy or recommendations for use by other investment managers with their own clients, the timing of portfolio purchase and sale transactions for Client Accounts may occur after transactions have been placed for other investors whose accounts are managed using the third-party model, strategy or recommendations, and executions may occur through different brokers and dealers with different prices and transaction costs than those used by other investors whose accounts are managed using the third-party model, strategy or recommendations, resulting potentially in less favorable purchase and sale prices for Client's Account and different investment returns than those of other investors whose accounts are managed using the third-party model, strategy or recommendations.

## **RISK OF LOSS ON INVESTMENTS**

Investing in securities involves a risk of loss on the investment. Clients should be aware of and prepared to bear losses on investments.

Products and/or services offered by Adviser and FRSC are not deposits or other obligations of, and are not insured, guaranteed or endorsed by, any bank, the FDIC, the Federal Reserve Board, or any other government agency. The purchase of securities involves investment risks including the possible loss of principal.

The disclosures in this brochure are not intended as an offer or solicitation, or as the basis for any contract to purchase or sell any security, or other instrument, or to enter into or arrange any type of transaction as a consequence of any information contained herein.

The results achieved by individual Clients will vary and will depend on a number of factors, including prevailing dividend yields, market liquidity, interest rate levels, market volatilities and the Client's expressed return and risk parameters at the time the service is initiated and during the term. Past performance is not a guarantee of future results.

The investment services and products mentioned in this brochure have tax consequences. FRIM does not provide tax advice. The levels and bases of taxation can change. Investors' tax affairs are their own responsibility and investors should consult their own attorneys or other tax advisors in order to understand the tax consequences of any products and services mentioned in this brochure.

Use of Independent Managers - First Republic may recommend the use of Independent Managers for certain Clients. First Republic will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the Independent Managers' ability to successfully implement their investment strategies. In addition, First Republic does not have the ability to supervise the Independent Managers on a day-to-day basis other than as previously described in response to Item 4, above.

Use of Private Funds - Adviser may recommend the investment in privately placed collective investment vehicles (some of which may be typically called "hedge funds" "venture funds" "private equity funds," real estate funds," or "commodity pools") by certain Clients. Some of these investment vehicles are created for Adviser Clients as "feeder funds" or "funds of funds" to invest in investment funds managed by third-parties, while others involve direct investment of Client Accounts in private investment vehicles sponsored and advised by third-party investment managers. The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered with the SEC as investment companies, investors in these funds do not get the same protections and disclosures that are available to investors in SEC-registered investment companies. In addition, investments in these funds are illiquid and typically are subject to restrictions on redemptions, resale or transfer and must be held for substantial periods of time. There are numerous other risks in investing in these securities. The Client will receive a private placement memorandum and/or other documents explaining such risks.

Use of Margin - to the extent that a Client authorizes the use of margin, and margin is thereafter employed in the management of the Client's investment portfolio, the market value of the Client's Account and corresponding fee payable by the Client to Adviser will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, Clients authorizing margin are advised of the potential conflict of interest whereby the Client's decision to employ margin shall correspondingly increase the management fee payable to Adviser. Accordingly, the decision as to whether to employ margin is left totally to the discretion of Client. While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a Client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the Client's securities and/or other assets. Under certain circumstances, a broker-dealer may demand an increase in the collateral that secures the Client's obligations and if the Client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the Account to satisfy the Client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Client Account's risk and profitability.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Adviser has previously and may in the future accept "performance fees" – that is, fees based on a share of capital gains on or capital appreciation of the assets of a Client. Certain Independent Managers or investment funds with or in which Client Accounts invest may also charge performance fees. Performance fees or other performance based compensation will be generally based on exceeding specified yield or total return benchmarks or "hurdles" or an appropriate index and generally

are payable on a quarterly or annual basis. In some cases, these arrangements may be subject to a cumulative high water mark or other provisions intended to assure that prior losses are recouped before giving effect to any performance fees or allocations. Clients should be aware that performance-based fees give the Adviser or a third-party investment manager or fund a financial incentive to achieve gains and to choose investments that are riskier or more speculative than might otherwise be chosen.

## VOTING OF CLIENT SECURITIES

Adviser is required to disclose if it accepts authority to vote Client securities. For those portions of the Client Account as to which Adviser has direct investment management authority on a discretionary basis, and for investments in mutual funds and other pooled investment vehicles (other than Private Funds), Adviser will accept authority in the advisory agreement to vote Client securities. Adviser does not vote Private Fund securities if Adviser is investment adviser to the Private Fund, but may vote securities of private investment funds for which Adviser is not the investment adviser or sponsor. Adviser generally does not vote Client securities on behalf of its Clients where those securities are managed on a discretionary basis by a third-party investment manager. In those contexts in which neither Adviser nor the investment manager votes Client securities, Clients generally will receive proxies directly from the Brokerage Firms or other custodian for their Accounts in order to permit the Client to vote those securities.

## ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Adviser acts as the sponsor and adviser to the Programs. Wrap programs involve the services of multiple parties as portfolio managers to portions of the Client Account. Adviser will provide information about the Client and Client Account to the Independent Managers retained by Client that is necessary or useful for the management of Client's Account. This information may be provided at the opening of the Account, when a new Independent Manager is retained for the Client Account, when the Client information is updated by the Client, or at other times. This information may include: Client information contained in the account opening documents, such as the IPS. Adviser may also discuss Client Accounts with Independent Managers retained for Client, in order to service Client's Account.

## ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS

There are no restrictions on a Clients' ability to contact and consult with Adviser. Clients may contact Independent Managers through Adviser by providing Adviser with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the Client's written request, Adviser, at its discretion, may either contact the Independent Managers and get responses for the Client or arrange for the Independent Managers and the Client to communicate directly.

## ITEM 9. ADDITIONAL INFORMATION

### DISCIPLINARY INFORMATION

Neither the Adviser nor any management person of the Adviser has been involved in any criminal or investment-related civil action in a domestic, foreign or military court of competent jurisdiction within the past ten years or any longer applicable reporting period specified in Item 11 of Form ADV Part II.

Neither the Adviser nor any management person of the Adviser has been involved in any investment-related administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial

regulatory authority within the past ten years or any longer applicable reporting period specified in Item 11 of Form ADV Part II.

Neither the Adviser nor any management person of the Adviser has been involved in any investment-related self-regulatory organization (SRO) proceeding within the past ten years or any longer applicable reporting period specified in Item 11 of Form ADV Part II.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Adviser is a subsidiary of First Republic Bank, a California state-chartered bank headquartered in San Francisco, with branch offices in California, Connecticut, Florida, Massachusetts, New York and Oregon and non-branch offices in Nevada and New Hampshire. First Republic Bank provides retail and commercial banking services and products, including a variety of loans, deposits, custody, trust and fiduciary services. First Republic Bank has a trust department, known as First Republic Trust Company, as well as a subsidiary Delaware trust company.

First Republic Bank was founded in 1985, went public in 1986 and was purchased by Merrill Lynch on September 21, 2007. In January 1, 2009, Bank of America bought Merrill Lynch. On July 1st 2010, First Republic Bank completed its management-led buyout from Bank of America and became once again an independent bank. In December 2010 (its 25th anniversary), First Republic Bank completed an initial public offering of its stock, which now trades on the NYSE (symbol FRC).

First Republic Bank may lend to, provide other banking products or services to, or have other financial dealings with, companies or investment funds in which Client Accounts invest, persons associated with companies in which Client Accounts invest, or Independent Managers or persons associated with Independent Managers or funds with or in which Client Accounts invest. This may present certain conflicts of interest. As a lender, First Republic Bank may declare a loan in default or foreclose on a loan, take collateral or take other actions to protect its interests as a lender or counterparty, without regard to the effect those actions may have on investors in that company. In addition, First Republic Bank may have access to material nonpublic information as a lender or in other capacities regarding companies in which Client Account invests that cannot be shared with Adviser, FRSC or their respective Clients or used to manage advisory or brokerage customer Accounts. There may be situations in which Adviser is not permitted to purchase or sell securities held in Client Accounts due to material nonpublic information known to First Republic Bank, Adviser or FRSC. This may result in situations in which Client Accounts are not able to participate in gains or avoid losses due to restrictions on trading in those securities or sharing information regarding those companies or securities.

Adviser has an affiliated broker-dealer, First Republic Securities Company, LLC ("FRSC"). FRSC is also licensed as an insurance agency. Many of the Adviser's management persons and representatives are also registered representatives of FRSC. FRSC may be paid fees in respect of balances in Client Accounts that are invested in securities or insurance products in transactions in which FRSC acts as broker or agent.

As a registered securities broker-dealer, FRSC offers a variety of services, including taking customer orders, executing securities transactions and providing custody services. Customer brokerage Accounts at FRSC are cleared on a fully-disclosed basis at Pershing LLC which has custody of the FRSC customer Accounts. Pershing is a clearing broker that is not affiliated with FRSC or the Adviser. FRSC can also provide research and make recommendations to brokerage customers about whether to buy, sell or hold securities. FRSC offers these recommendations as part of its brokerage services and does not charge a separate fee for providing research or making recommendations. FRSC does not render investment advice or make investment decisions for customers or manage customer Accounts on a discretionary basis.

In FRSC's capacity as a broker-dealer, FRSC will only buy or sell securities for customers based on specific directions from the customer or the customer's authorized agent, (including Adviser or an Independent Manager).

FRSC customers may also choose to hire an investment adviser that is not affiliated with FRSC to manage the customer's assets maintained in an FRSC brokerage Account with the consent of FRSC, however, FRSC would be unable to waive the commissions for any account in this circumstance.

For purposes of the Programs described in this Wrap Fee Program Brochure, FRSC will not charge commissions where FRIM is acting as the Investment Adviser and the account is managed in either a Centrally Traded Strategy or Model Portfolio.

FRSC customers may choose from several types of brokerage Accounts offered by FRSC. With respect to FRSC's commission-based brokerage Account, customers pay for FRSC's brokerage services each time FRSC executes a transaction for the customer's Account. FRSC can act as either customer's agent or "broker," or as a principal or "dealer" for each transaction. When FRSC acts as a broker, FRSC will act as customer's agent and will charge customer a commission each time FRSC buys or sells a security for customer. When FRSC acts as a "dealer," FRSC acts as a principal for its own Account on the other side of a transaction from customer. Using FRSC's inventory, FRSC buys a security from or sells a security to the customer, and seeks to make a profit on the trade by charging the customer a "mark-up," "markdown" or "spread" on the price of the security (in lieu of commissions on these transactions). In riskless principal transactions, FRSC receives a customer order and, to fill that order, purchases a security in the market and simultaneously resells that same security to the customer at a slightly higher price (or if the customer is selling the security, FRSC purchases the security from the customer and simultaneously resells that security into the securities markets at a slightly higher price), with the spread between the purchase and resale price or "mark up" being compensation to FRSC in lieu of a commission for effecting the transaction for the customer. If a customer has a brokerage Account at FRSC that is managed by FRIM, FRSC generally does not act as a principal or riskless principal in securities transactions that are conducted through the Account when advised by FRIM.

Nonetheless, FRSC may act as a principal or a riskless principal and charge mark-ups on portions of the Account or a sub-Account or separate brokerage Account where FRIM is not acting as an investment adviser for the transaction. FRSC generally acts as a principal or riskless principal only in customer transactions in bonds or other fixed-income securities or certificates of deposit and in non-discretionary transactions where we act as a broker-dealer and not as an investment adviser and FRIM is not providing advice or exercising investment discretion. The amount of any commissions are reflected in the brokerage Account confirmations sent by FRSC, and if FRSC is acting as a principal or riskless principal in a transaction, that is also reflected in the confirmation sent to customers.

FRSC also acts as private placement agent for the Private Funds and is paid a fee by FRIM for its services as private placement agent.

With respect to both commission-based Accounts and asset-based fee Accounts, FRSC may earn income from cash balances that are "swept" from such brokerage Accounts into money market mutual funds or bank deposits. These fees are often paid by the mutual fund or First Republic Bank (which is the parent company of FRSC) to FRSC over time based upon a percentage of the amount of customer balances held at the mutual fund or First Republic Bank and the period for which they are held.

It is important to review the fee schedule for each type of brokerage Account to determine which type of Account is appropriate for Client. A number of factors affect which type of brokerage Account will be more cost-effective for Client, including, among other things, the number of transactions Client anticipates to be executed for the Account, the timeline for maintaining the Account, the amount of assets Client will maintain in the Account, and the type of investment strategy that Client will employ.

The brokerage services FRSC may provide to Client are separate and distinct from investment advisory services provided by Adviser and each is governed by different laws.



As a broker-dealer, FRSC is held to the legal standards of the Securities Exchange Act of 1934, the SEC, the rules of the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB), and state laws that apply to securities broker-dealers. As a broker-dealer, FRSC has a duty to deal fairly with its customers. Consistent with FRSC's duty of fairness, FRSC is obligated to make sure that the prices a customer receives when FRSC executes transactions are reasonable and fair in light of prevailing market conditions and that the commissions and other fees FRSC charges customers are not excessive. FRSC must have a reasonable basis for believing that any securities recommendations it makes are suitable for the customer, given the customer's individual financial circumstances, needs and goals. In many circumstances where Adviser is not managing a customer's Account, FRSC is permitted to trade with customers for FRSC's own Account or for an affiliate or another customer and may earn a profit on those trades. When FRSC engages in these trades, FRSC will disclose the capacity in which FRSC acted on in the customer's trade confirmations, although FRSC is not required to communicate this or obtain customer's consent in advance, or inform customer of profits earned on trades.

In providing brokerage services to customers through commission-based Accounts rather than through an asset based fee Account or where FRSC is paid special compensation for providing advice in respect of the transaction, FRSC is not acting as customer's investment adviser, even if FRSC is providing recommendations as a broker-dealer. The Investment Advisers Act does not apply to FRSC transactions with customers as broker-dealer with respect to such Accounts when FRSC and FRIM are not acting as investment adviser. For instance, when FRSC is acting solely as a broker-dealer, its legal obligations to disclose detailed information to customers about the nature and scope of FRSC's business, personnel, fees, conflicts between FRSC's interests and customer interests, and other matters are more limited than in situations where an investment adviser would owe fiduciary duties and other obligations to its customer. On the other hand, FRSC's servicing of brokerage Accounts held through its adviser custody department that are charged asset-based fees is subject to regulatory requirements imposed by the Investment Advisers Act.

If Client has more than one Account or sub-Account with FRSC or FRIM, those Accounts or sub-Accounts may be charged fees on different bases or schedules. In some cases, this may mean one Account or part of an Account that a customer has with FRSC or FRIM is subject to the Investment Advisers Act and the other is not. If an Account or sub-Account is not within the adviser custody department of FRSC and is not advised by FRIM, that Account or particular transactions within the Account may be charged commissions on brokerage transactions or mark-ups on riskless principal or principal transactions effected by the affiliate broker dealer. Generally, these transactions are not regulated under the Investment Advisers Act and FRSC is acting solely as a securities broker-dealer subject to the SEC, FINRA, MSRB and state regulatory requirements applicable to securities broker-dealers.

Please be aware that FRSC employees who service Accounts may, in some transactions, act as a broker-dealer representative of FRSC, and in other transactions that same employee may be acting as an investment adviser representative of FRIM or of the adviser custody department of FRSC. FRSC employees may also be licensed as insurance agents and act in that capacity on behalf of the insurance agency department of FRSC or of another insurance agency. Different regulatory requirements and compensation arrangements apply to the individual representative of FRSC and the transactions, depending on the capacity in which the individual and FRSC is acting.

Securities, insurance, mutual funds, Private Funds and other non-deposit investment products available through FRIM and FRSC are not deposits or other obligations of First Republic Bank or any other bank, are not insured by the FDIC or guaranteed by any government agency, and are subject to investment risks, including the possible loss of principal amounts invested.

Adviser is registered as a commodity pool operator (CPO) and commodity trading advisor (CTA). Neither FRSC, the Adviser nor any of Adviser's management persons are registered as a futures commission merchant.

## CUSTODY AND CASH BALANCES

Clients of Adviser must enter into a custodial agreement with a broker-dealer, bank or trust company ("Custodian"), that acts as custodian for the Account assets in accordance with Client's instructions. Client grants authority to Adviser to enter into, on Client's behalf, custodial agreements for those investment managers or subadvisors that require specific custodians. The custody of the Account assets will be maintained with the Custodian. The Custodian will typically be responsible for settling securities transactions placed on behalf of the Client's Account by Investment Managers. Adviser will not have custody or physical control of the cash and assets in the Account and is not liable for acts or omissions of the Custodian. The Custodian and each Investment Manager and Investment Fund provide Adviser periodic reports concerning the status of the Account. The Custodian also is required to send to the Client, at least quarterly, a statement indicating all amounts dispersed from the Account (including the amount of any fee paid pursuant to Client's authorization to Adviser), all transactions occurring in the Account during the period covered by the statement and the funds, securities and other property in the Account at the end of the period.

The Custodian may offer different methods to hold cash balances in Clients' Accounts pending more permanent investment or distribution. Where available through a Custodian, cash balances held in custody may be held through the "Eagle One Sweep" program, by which the Custodian places excess cash in brokerage accounts in bank deposits at First Republic Bank, the parent company of Adviser. If authorized by the Client, Adviser may designate the Eagle One Sweep as the cash option for Client's Account and place any cash balances in Clients' Account in bank deposit accounts at First Republic Bank. Cash balances in a Client's Account may also be placed in other sweep programs offered by the Custodian, including in bank deposits of FDIC-insured depository institutions not affiliated with Adviser, shares of money market mutual funds or held as free credit balances at the Custodian. The Custodian may change the options for holding these balances upon 30 days' prior notice to Clients.

Cash balances held through the "Eagle One Sweep" program are bank deposits eligible for FDIC-insurance up to the limits specified in the Federal Deposit Insurance Act and rules of the FDIC (in an aggregate amount with any other deposits held by the Client in the same right and capacity at First Republic Bank) and are not eligible for Securities Insurance Protection Corporation ("SIPC") coverage. Cash balances invested in money market mutual funds or held in free credit balances are not bank deposits and are not insured by the FDIC but may be eligible for SIPC coverage.

A Client may contact the Custodian and request a different sweep option for an Account if the Client does not want cash balances in its Account placed in deposit accounts at First Republic Bank."

## CODE OF ETHICS

The Adviser maintains a comprehensive Code of Ethics and Insider Trading Policy (the "Code") in accordance with Rule 204A-1 of the Investment Advisers Act, and other applicable laws and regulations, as well as industry best practice standards. The Code exists to ensure an ongoing commitment to the principle that Client and fund shareholder interests are, at all times, paramount to the interests of any employee, officer, or director of the Adviser.

Procedures established in the Code are intended to prevent and detect any conflicts of interest and prohibited activities in connection with personal trading or other activities on the part of Adviser's employees. All of the provisions of the Code apply to all of Adviser's employees. In addition, the Code's provisions apply to the employee and to any Account in which he/she has a beneficial interest or exerts influence or control.

Principal elements of the Code of Ethics:

- Personal trade pre-clearance requirement for all employee trades, which expires after the close of business the same day, for all Access Persons (employees, officers and directors who, in the normal course of business, are likely to exercise investment control or be privy to decisions made on behalf of Client interests);

- Prohibitions on short selling, IPO participation, and short term profit taking (60 Day Holding requirement);
- Prohibition on some personal trades above \$20,000 or 5000 shares (\$250,000 for S&P500 stocks, Top 20 ETFs and Top 50 ADRs) for all employees in which there is a pending order for any advisory Account;
- 48 hour black out period for changes to the Adviser's recommended list, same day restriction on personal trades for Investment Personnel when transactions have been executed in the same securities for advisory Accounts in which they exercise, or participate in the execution of, investment control;
- Restriction on investments in Private Placement securities;
- Reporting requirements including: Initial and Annual holdings disclosure, Initial and Annual Code of Ethics certification, Annual and Quarterly Trading Disclosure, Annual and Quarterly Brokerage Account Disclosure (including provision of duplicate confirmations and statements), Initial and Quarterly Outside Business Affiliations Disclosure, Annual and Quarterly Political Contributions Disclosure, Initial and Quarterly Conflict of Interest Policy Certification.

Adviser's Chief Compliance Officer is responsible for the implementation and administration of the Code. Responsibilities include, but are not limited to, pre-clearance of all personal trade requests, monitoring of firm activity in relation to employee activity and maintenance of records in accordance with applicable laws and regulations. Any violation of the Code, including engaging in a prohibited transaction or failing to meet reporting requirements, may result in disciplinary action, including, but not limited to, disgorgement of profits, payment of fines, censure, and where appropriate, suspension or termination of employment. The Chief Compliance Officer is required to report to the applicant's Compliance Committee, and the Board of Directors of any Fund to which applicant serves as advisor, any circumstance of fraud, deceit, or manipulative practice which could be found to have been practiced on a Client of the applicant in connection with personal trading by employees and other material violations of the Code.

A fully copy of the aforementioned Code of Ethics is available upon request.

With respect to securities of the parent company (stock in First Republic Bank -- NYSE symbol FRC), the Adviser prohibits the purchase of this stock on a discretionary basis for Clients of the Adviser (purchases can only be made for Clients pursuant to written instruction and any Account assets invested in FRC stock are not billed so as to act as a disincentive).

From time to time, the Adviser may invest in securities on behalf of Clients that are of the same type that the Adviser's employees, officers or directors may also own, or buy or sell at the same time, subject to the small trade de minimis exceptions (as described above).

Where a Portfolio Manager's interests are aligned and that Portfolio Manager trades the same way alongside Clients, that is buys or sells the same securities at the same time and at the same price as for the Adviser's Clients, and aggregates and average prices these purchases and sales, there is no de minimis (small trade size) limitation.

As an affiliated broker-dealer, FRSC may enter into principal transactions with their brokerage Clients, some of whom may be Adviser's Clients. In general, FRSC would enter into principal transactions only in municipal securities. However, no principal trading will be done on the part of Clients who have municipal assets managed by Adviser, and as a practice, Adviser does not direct any municipal securities trades to FRSC.

Adviser may affect agency cross-transactions (i.e. transactions for which the Adviser or its affiliates act as broker for both Client and the other party to the transaction), but will not collect a commission or any other compensation (with the exception of a \$25 ticket charge) in connection with that trade, in accordance with the procedures described in Section 206(3) of the Investment Advisers Act, and any rules promulgated there under. Such trades will only be done on an exception basis, with prior written consent of both buyer and seller, where mutually beneficial to both parties. Client may revoke the authorization to affect agency cross-transactions at any time by written notice to Adviser. If any agency cross-trades are effected during the year, a list of all agency cross-trades will be provided at year end.

Employees of FRIM may buy or sell securities which FRIM recommends or buys or sells on a discretionary basis for clients, but only pursuant to the procedures described in the Code of Ethics, meaning that either (1) buys and sells buys alongside at same price as clients, (2) in de minimis (small) amounts that will not adversely impact client price or (3) 48 hours before or after clients porders.

Neither FRIM nor any related person is an issuer of any securities purchased for clients on a discretionary basis, and neither FRIM nor any related person has a material financial interest in any security purchased for any client on a discretionary basis.

Neither FRIM nor any related person related person acts as general partner to a partnership in which clients are solicited to invest or offered to advisory clients, however, FRIM is an Adviser to the Altair family of private pooled investment vehicles, and the conflict that this represents is described in the Private Placement Memorandum for each such fund.

## REVIEW OF ACCOUNTS AND GENERAL REPORTS

Adviser engages in an initial and ongoing review of each Client's background, risk tolerance and investment objective(s) in relation to economic conditions and financial market behavior. Adviser's Portfolio Managers are responsible for the review of Accounts, and as fiduciaries, maintain regular contact with each Client. Adviser's supervisory structure requires that each Portfolio Manager select from within a universe of investment securities or funds that has been reviewed by the applicant's Investment Committee, and that all new Accounts and new Portfolio Manager abide by these requirements within a reasonable time (usually 24 months) absent extenuating circumstances (such as a low cost basis and/or concentrated position).

Adviser may provide each Client with a quarterly Account statement containing a detailed analysis of investment holdings and a transaction summary, at the Portfolio Manager's sole discretion. Adviser intends for each Portfolio Manager to have periodic discussions regarding portfolio performance with his/her respective Clients.

In addition, Clients receive monthly or quarterly Account statements and may receive transaction confirmations from the broker-dealer, bank or trust company that holds custody of the Client's advisory Account assets. It is important that you review carefully all statements and confirmations and promptly report any discrepancies or concerns to the custodian and Adviser.

Accounts in the Allocation Strategies Program and the Model Portfolio Program are also reviewed by a central team responsible for trading and monitoring all the accounts in a specific strategy. Such reviews are in addition to the reviews conducted by each account's Portfolio Manager.

## CLIENT REFERRALS AND OTHER COMPENSATION

First Republic Bank and FRSC refer their respective Clients to Adviser and vice versa. The Adviser does not run sales contest, but encourages referrals and offers recognition, awards and other prizes for employees of the Bank or FRSC who refer the most business to the Adviser. Notwithstanding the foregoing, the Adviser reserves the right to reject any referral in its sole discretion and will only offer investment advice where it can do so in a mutually beneficial manner with the Client in accordance with its fiduciary duties under the Advisers Act.

The Adviser may make First Republic Bank deposits or other bank products available to advisory Clients.

## ADDITIONAL COMPENSATION

Adviser is party to referral arrangements with third party solicitors, constructed in accordance with Rule 206(4)-3 of the Investment Advisers Act, whereby third party solicitors will refer potential Clients to applicant in exchange for compensation

based on a percentage of advisory fees collected. Adviser may compensate several of its employees whereby the employee, upon bringing a new Client to Adviser, receives a portion of the fees paid by a new Client to Adviser.

Adviser may direct custody to FRSC on behalf of Client Accounts referred by First Republic Bank and will have incentives to encourage Clients to maintain custody of their Accounts at FRSC.

Adviser participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Adviser receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Adviser participates in TD Ameritrade's institutional customer program and Adviser may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Adviser's participation in the program and the investment advice it gives to its Clients, although Adviser receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Adviser by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Adviser's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Adviser but may not benefit its Client accounts. These products or services may assist Adviser in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Adviser manage and further develop its business enterprise. The benefits received by Adviser or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Adviser endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Adviser or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Adviser's choice of TD Ameritrade for custody and brokerage services.

Adviser may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Adviser may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Adviser and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Adviser and has no responsibility for Adviser's management of client portfolios or Adviser's other advice or services. Adviser pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Adviser ("Solicitation Fee"). Adviser will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Adviser from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Adviser on the recommendation of such referred client. Adviser will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Adviser's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Adviser may have an incentive to recommend to clients that the assets under management by Adviser be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Adviser has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Adviser's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

## FINANCIAL INFORMATION

The Adviser is a wholly owned subsidiary of First Republic Bank, a publicly traded company the financial statements of which are publicly available.

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore a balance sheet of the Adviser is not required to be disclosed.

The Adviser has no financial condition to disclose that is reasonably likely to impair your ability to meet contractual commitments to Clients at this time.

The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years, and is no longer affiliated with either The Bank of America or Merrill Lynch.