

## Wrap Fee Brochure



# FIRST REPUBLIC INVESTMENT MANAGEMENT

It's a privilege to serve you®

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

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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 the phone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about First Republic Investment Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

First Republic Investment Management, Inc. is a federally registered Investment Adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training.

## **Item 2. Material Changes**

The following changes have been made to the Wrap Fee Brochure (“the Brochure”). Although not all of these changes are material, clients are encouraged to review the changes and the Brochure in its entirety.

Item 4: The description of Programs has been updated to reflect FRIM’s current wrap fee offering.

Item 5: This item has been modified to update the account requirements.

Item 6: This item has been updated to enhance the disclosures regarding the Methods of Analysis, Investment Strategies and Risk of Loss.

Item 9: This item has updated language describing FRIM’s affiliates, its relationship to these affiliates, the potential for conflicts of interest and how FRIM mitigates these conflicts.

## Item 3. Table of Contents

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## **Item 4. Service, Fees and Compensation**

FRIM is an SEC-registered investment adviser with our principal place of business located in San Francisco, California. FRIM is the sponsor of the wrap fee program described below (the "Program"). The services and management style provided in the Program may be identical to that provided through FRIM's non-wrap service. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which includes portfolio management and the execution of client transactions.

The wrap fee program may be available to certain accounts which are held in custody through FRSC at Pershing, and which accrue fees of at least \$20,000 annually. Eligibility for the Program is assessed annually. Additionally, FRIM may recommend Independent Managers (Independent investment managers and investment funds recommended by FRIM or selected by client, shall be referred to herein as "Independent Managers") that charge a single advisory fee, without additional transaction costs.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services offered by our firm and the fees charged for those services, clients should refer to our Form ADV Part 2: Firm Brochure. You may obtain a copy of our Firm Brochure by contacting us at 415-392-1400.

### **Program Description**

FRIM is an SEC-registered investment adviser with a principal place of business located in San Francisco, California. FRIM is the sponsor of the wrap fee program described below (the "Program"). The services and management style provided in the Program may be identical to that provided through FRIM's non-wrap service. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which includes portfolio management and the execution of client transactions.

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### **Investment Management Program**

Through the Program FRIM provides personalized investment solutions for high net worth individuals, trusts, families, foundations, endowments, pensions, profit sharing plans, banks, corporations and other business entities. FRIM assists clients in formulating long-term investment strategies that are customized to meet their unique needs or circumstances. These services are typically provided in the following two stages (collectively, the "Advisory Services") as set forth in the investment management agreement ("IMA") entered into between FRIM and the Client:

*Initial Advisory Services.* The "Initial Advisory Services" include some or all of the following, as FIRM's Investment Adviser Representative ("Advisor") and Client determine to be appropriate: (i) evaluating Client's existing holdings and non-liquid assets; (ii) understanding Client's financial circumstances and establishing investment objectives with Client; (iii) exercising discretion with respect to purchases and sales of equity, fixed income or other securities (including, but not limited to, selecting appropriate managers or investment funds for same); and (iv) implementing Client's asset allocation plan by making appropriate arrangements with investment managers and purchasing interests in appropriate investment funds (if applicable) by or through which the assets in Client's Account will be managed. Clients may impose reasonable restrictions on investing in certain securities or

types of securities (for example based on environmental, social or governance characteristics) subject to the approval of FRIM. Advisor does not provide legal, tax, or accounting advice. Any information or ancillary advice provided by Advisor should not be construed as a substitute for legal counsel, or tax or accounting advice.

*Ongoing Advisory Services.* Advisor shall provide certain “Ongoing Advisory Services,” which may include some, but not necessarily all, of the following: (i) ongoing monitoring and rebalancing of Client’s portfolio including any of Client’s existing managers or funds that are not recommended by Advisor, but that Client has directed Advisor to keep as part of Client’s Account(s); (ii) conducting portfolio reviews; (iii) providing performance reporting upon request; (iv) adjusting any investment strategies and asset allocations as Client’s needs and goals change and are communicated to Advisor; and (v) working with Client to address Client’s investment objectives. Clients must promptly notify Advisor of any change in Client’s investment objectives, goals, restrictions or any material factor affecting Client.

### **Investment Management Program Fee**

For certain accounts which are custodied through First Republic Securities Company, LLC (“FRSC”), an affiliate of FRIM (and ultimately held at Pershing, LLC), which incur fees of at least \$20,000 annually, transaction fees may be waived. This arrangement is referred to in this document as the “Investment Management Program”. Additionally, FRIM may recommend Independent Managers (as defined below) that charge a single advisory fee, without additional transaction costs.

FRIM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by FRIM. For services provided outside of the Programs, FRIM’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. FRIM does not, however, receive any portion of these commissions, fees, and costs. FRIM’s annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by FRIM on the last day of the previous quarter. The annual fee varies depending upon the market value of the assets under management and the type of investment management services to be rendered. FRIM, 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.). The standard fee schedule is as follows:

#### **First Republic Investment Management Fee Schedules**

<b>Equity/Balanced Portfolios</b>	
<b>AUM</b>	<b>Incremental Fee</b>
First \$2 million	1.50%
\$2 - \$10 million	1.00%
\$10 - \$25 million	0.50%
\$25 - \$50 million	0.45%
\$50 - \$100 million	0.40%
Over \$100 million	Negotiated

<b>Fixed Income Portfolios</b>	
<b>AUM</b>	<b>Total Fee<sup>(1)</sup></b>
\$2.0 < \$10 million	0.40%
\$10 < \$25 million	0.35%
\$25 million or greater	0.30%

1. All fixed income assets are charged a fee based on total fixed income assets managed (not on a tiered basis).

## **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.

## **Item 5. Account Requirements and Types of Clients**

FRIM provides personalized investment solutions for high net worth individuals, trusts, families, foundations, endowments, pensions, profit sharing plans, banks, corporations and other business entities.

Certain Programs may be available to certain accounts which are held in custody through FRSC at Pershing, and which accrue fees of at least \$20,000 annually.

Separately, brokerage commissions are waived for certain legacy accounts held in custody at Fidelity. This arrangement is no longer offered.

The minimum account size for participation in the Independent Advisor Program is \$5,000,000; however, FRIM, in its sole discretion, may accept smaller client accounts for participation in this Program. Note, certain asset managers and investment styles may require different minimums.

## **Item 6. Portfolio Manager Selection and Evaluation**

FRIM is the sponsor and its employees are the portfolio manager of the wrap fee programs.

### **Investment Management Services**

Please see Item 4 for a description of the services FRIM provides under the Investment Management Program.

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

Methods of analysis include, but are not limited to, fundamental, quantitative and technical analysis.

***Fundamental analysis.*** Using fundamental analysis, FRIM attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indication it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors

considered in evaluating the stock.

**Quantitative analysis:** Quantitative analysis uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Technical analysis.** Through technical analysis, FRIM considers past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and attempt to predict future price movement.

- Cyclical analysis: In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to anticipate the price movement of the security.
- Charting: In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

## Investment Strategies

FRIM utilizes multiple investment strategies to meet the investment objectives of each client. These methodologies are formulated based on a comprehensive review and assessment of current and future return objectives, investment time horizon, risk tolerance level and cash flow requirements for each client.

The majority of clients are focused on maximizing return within a reasonable level of risk through exposure to a set of investment opportunities in various markets for prudent diversification. It is important to note that it is not possible to identify all of the risks associated with investing. The nature of the account, the investment strategy or strategies and the types of securities held all impact the risks applicable to a particular client.

FRIM's primary investment strategies are set forth below. FRIM may offer additional strategies or variations of the strategies described.

Strategy	Method of Analysis
Equities <ul style="list-style-type: none"><li>• Large Cap U.S. Equity</li><li>• All Cap U.S. Equity</li><li>• Global Dividend</li><li>• Environmental, Governance &amp; Socially Responsible (ESG)</li><li>• Customized Equity</li></ul>	FRIM applies fundamental and quantitative analysis in actively managing equity portfolios. FRIM relies on a number of vended applications to help in the construction and ongoing management of these portfolios. In addition, FRIM has a team of equity research analysts to provide specific input on individual stocks and the macroeconomic environment, which is used in managing specific strategies. FRIM uses third-party research in managing accounts as well.
Fixed Income <ul style="list-style-type: none"><li>• Cash Management</li></ul>	FRIM incorporates both a macroeconomic view and fundamental approach in managing fixed

<ul style="list-style-type: none"> <li>• Short, Intermediate and Long Municipal Bonds</li> <li>• Short, Intermediate and Long Agency/Credit</li> </ul>	<p>income portfolios. The fixed income team resolves the macroeconomic views with the fundamental data to develop strategic and tactical strategies. The closely aligned credit research, trading and portfolio management professionals continually monitor risk/reward relationships across the yield curve, sectors and issuers to identify attractive investment opportunities.</p>
<p>Third-Party Investment Strategies</p>	<p>FRIM researches investment managers and provides client access to these strategies through sub-advisory relationships. The due diligence process incorporates qualitative review of the investment manager's investment team, their philosophy and process. This analysis is complemented with quantitative analysis of the manager's past performance and portfolio. FRIM monitors and maintains updated information on investment managers and funds through routine compliance, operational and research due diligence efforts. While managers may not always be top performers in their asset classes, FRIM seeks to select managers who will deliver competitive performance versus both peers and market benchmarks. Each sub-advisor has discretion to purchase and sell securities for their portion of an assigned portfolio.</p>
<p>Model Management</p>	<p>FRIM model management is designed to maximize operational efficiencies for separately managed account investments and provide portfolio customization. It centralizes the delivery and manufacturing of proprietary and third-party model portfolios across asset classes. FRIM relies on proprietary and vended applications to assist in the ongoing management of these strategies.</p>
<p>Private Investments</p>	<p>FRIM offers private investments in hedge funds, private equity, credit and real estate. We offer both single manager and multi-manager funds or fund of fund solutions. Our research approach to private investments includes in-house research and use of external consultants to provide us with useful and relevant information to serve as a basis for our alternative investments program. Additionally, our team and consultants scrutinize operational aspects and risks including but not limited to counterparty risk, prime-broker relationships, and service providers (auditors and administrators). Once a potential manager is identified, an intensive due diligence process is conducted which involves quantitative and qualitative analysis, and third party</p>



	background checks on a fund's managers.
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## Voting Client Securities

In accordance with FRIM's fiduciary duties, FRIM has adopted and implemented policies and procedures it believes are reasonably designed to ensure that proxies are voted in the best interest of clients. In addition to SEC requirements governing advisers, the proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts.

The majority of clients grant FRIM the authority to vote proxies as established by the advisory contracts or comparable documents. However, clients may choose to receive any or all of their proxies or other solicitations directly from their custodian or a transfer agent, and vote any or all, in their sole discretion.

Proxies for securities managed by Independent Managers will be voted by the Independent Managers and will not be voted by FRIM.

As a matter of practice, it is FRIM's policy not to reveal or disclose to any client how the Adviser voted (or intends to vote) on a particular proxy until after such proxies have been counted at a shareholder's meeting. FRIM will generally refrain from disclosing such information to unrelated third parties.

It is FRIM's policy to vote proxies in the clients' best interest. FRIM has a responsibility to provide competitive rates of return to investors, and generally does not support resolutions that are likely to harm a company's long-term financial health. FRIM votes proxies based on Proxy Voting Guidelines established by FRIM. The guidelines are established to avoid conflicts of interest between FRIM and the client.

For the sake of efficiency, FRIM designates a proxy voting service to exercise votes. Currently, EC Proxy Voting Service, Inc. is the proxy voting service that has been designated to execute votes in accordance with the Proxy Voting Guidelines established by FRIM. The Proxy Voting Guidelines are guidelines designed to be responsive to a wide range of issues that can be raised in proxy situations.

When voting proxies, the following items are taken into consideration:

- Client's Best Interest: All proxy matters will be conducted in the best interest of clients.
- In the event a client wishes to provide direction regarding a particular vote that has been entrusted to FRIM, such instruction must be provided by the client in writing and in a timely fashion so as to meet voting deadlines.
- Conflicts of Interest: Any material conflicts will be resolved in the best interest of clients.
- Limitations: FRIM will take a limited role in voting proxies under the following circumstances:
  - No Responsibility - In situations where a client has instructed FRIM that he/she will assume responsibility for proxy voting, FRIM will have no responsibility for voting the proxies.
  - Cost outweighs benefit – Generally, proxies will be voted for US securities. However, FRIM may not vote shares of companies domiciled outside the US, and cannot guarantee the ability to vote shares of companies domiciled outside the US. In many countries, proxy voting can be complicated and onerous. As a result, the costs associated with voting some proxies may outweigh the benefits.
  - Assets are sub-advised – For positions managed by a sub-advisor, the sub-advisor is responsible for proxy voting. FRIM will not vote these securities.

The current version of the Proxy Policy and the Proxy Voting Guidelines is available to clients upon request by contacting FRIM. Clients may also request information regarding how proxies were voted and may request

information on or direct a vote for their shares in a particular solicitation by contacting FRIM. FRIM can be contacted by calling the number provided on the Cover Sheet.

### **Class Action Lawsuit Recoveries**

For the sake of efficiency, FRIM has engaged the services of Chicago Clearing Corporation to participate in class action shareholder lawsuits, on a best efforts basis, for securities beneficially owned by clients during relevant class action periods. Chicago Clearing Corporation earns a contingency fee of twenty percent (20%) of all monies recovered for clients through the filing and administration of class action lawsuit claims. Clients may choose to track their holdings versus relevant shareholder class action lawsuits, opt in or out and/or complete the paperwork instead and in lieu of Chicago Clearing Corporation, in their sole discretion.

## **Item 7. Client Information Provided to Portfolio Managers**

The Portfolio Managers to client accounts are FRIM employees and, in some cases, Independent Managers as defined below. The Portfolio Managers have access to all of the information client provides including financial information, investment objectives, risk tolerance level, tax status, investment experience, financial status, and other information relating to client's investment profile. In cases where independent investment managers and investment funds recommended by FRIM or selected by client, which shall be referred to herein as "Independent Managers", are utilized, client information may be shared to the extent necessary to conduct business.

FRIM has adopted a Privacy Policy, in accordance with Regulation S-P under section 504 of the Gramm-Leach-Bliley Act, which restricts FRIM and FRIM employee's use of and access to client nonpublic personal information. In order for FRIM, the Portfolio Managers and the Independent Managers to effectively manage client accounts and assist in meeting financial objectives, clients must update FRIM and the Portfolio Managers as soon as possible when any changes to personal or financial information occur. Clients may obtain a complete copy of our Privacy Policy by contacting our main office at the number on the front of this brochure.

## **Item 8 - Client Contact With Portfolio Managers**

There are no restrictions on a client's ability to contact and consult with FRIM and their Portfolio Manager. FRIM promotes open lines of communication between the Portfolio Manager(s) and our clients, encouraging the Manager's accessibility to remain available to our clients to discuss investment philosophy, objectives and to answer client questions.

Clients utilizing third party portfolio managers for management of their assets generally do not come in contact with the Independent Manager's Portfolio Managers. FRIM's representatives typically serve as the communication conduit between the client and the Independent Manager. Clients are required to contact their financial consultant with any questions they may have regarding their account(s).

## **Item 9. Additional Information**

### **Disciplinary Information**

Neither FRIM nor any management person of FRIM has been involved in any criminal or civil action in a domestic, foreign or military court of competent jurisdiction.

Neither FRIM nor any management person of FRIM has been involved in any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither FRIM nor any management person of FRIM has been involved in any self-regulatory organization (SRO)

proceeding.

## **Other Financial Industry Activities and Affiliations**

### **AFFILIATED BANK**

FRIM is a wholly owned subsidiary of First Republic Bank, a national, publicly-traded bank that offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients. As a subsidiary of First Republic Bank, FRIM is under common ownership and control with several other financial institutions, including those set forth below in which it has a material business relationship. The services provided by these affiliated companies are separate and distinct from the advisory services of FRIM, and are provided for separate and additional compensation.

### **AFFILIATED BROKER-DEALER**

FRIM is affiliated through common ownership and control with First Republic Securities Company, LLC (FRSC), a registered securities broker dealer. A number of FRIM management persons and representatives are also registered representatives of FRSC. Client 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 FRIM.

FRIM Portfolio Managers and certain other of FRIM's management persons and associates are registered, or have an application pending to register, as representatives and associated persons of FRSC.

### **CFTC REGISTRATIONS**

First Republic Investment Management, Inc. is registered as a Commodity Trading Advisor (CTA) and a Commodities Pool Operator (CPO) with the Commodities Futures Trading Commission (CFTC).

### **RELATIONSHIPS WITH AFFILIATES**

FRSC may provide a broad range of broker-dealer services to FRIM clients for which it receives compensation. This creates conflicts of interest with clients which are addressed as set forth below.

Margin buying is buying securities with cash borrowed from a broker-dealer (including an affiliate of FRIM) by using other securities as collateral. In cases where margin is used in the management of Client accounts, the securities in the accounts may be pledged for collateral to borrow and buy more securities. This has the effect of magnifying any profit or loss. The securities serve as collateral for the loan, and this margin loan must be repaid even if the residual value of the Client account is insufficient. FRIM and its representatives will have an incentive to borrow money on a Client account and pledge the assets as collateral through FRIM's affiliated broker dealer, FRSC. Specifically, both entities are under common control and the representative may receive additional compensation for use of margin. These conflicts are addressed as set forth below.

FRSC receives 12(b)1 fees for the sale of certain open-ended investment companies (mutual funds). FRSC will receive such fees for certain mutual funds purchased by advisory clients of FRIM, as determined by FRIM or one of its representatives, in their sole discretion. These conflicts are addressed as set forth below.

Certain affiliates of FRIM may be exempt CPOs and CTAs and file these exemptions with the CFTC.

FRSC has an insurance division, "Grand Eagle", which sells variable life insurance products. FRIM Investment Adviser Representatives, Access People and FRSC Registered Representatives, in their capacity as licensed Life Insurance Agents, may receive compensation from Grand Eagle for the sale of insurance products. This creates a

conflict of interest with clients. These conflicts are addressed as set forth below.

FRSC may earn income from cash balances that are “swept” from 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. This income creates a conflict of interest with clients due to the fact that an affiliate of FRIM receives compensation for assets held with FRIM advised securities. These conflicts are addressed as set forth below.

FRIM may refer clients to the bank to investment clients. FRSC makes available several options for holding uninvested cash in clients’ brokerage accounts. The primary option for those who qualify is the Eagle Sweep program. The Eagle Sweep Account is an FDIC-insured deposit account opened and maintained by FRSC’s clearing agent, Pershing LLC, at FRSC’s affiliated bank, First Republic Bank. Disclosure regarding Eagle Sweep can be found at:

[http://www.firstrepublic.com/downloads/inv/brokerage/eagle\\_sweep\\_disclosure.pdf](http://www.firstrepublic.com/downloads/inv/brokerage/eagle_sweep_disclosure.pdf)

As a result, FRIM will have an incentive to allocate cash to the "Eagle Sweep" account at First Republic Bank through FRIM’s affiliated broker-dealer, FRSC. Specifically, both entities are under common control and First Republic Bank will receive additional compensation for cash balances in client accounts. The asset based management fee charged to client accounts does include cash and cash equivalents, including cash allocated to the "Eagle Sweep" Account at First Republic Bank. These conflicts are addressed as set forth below.

### **Conflicts Related to Affiliations and Affiliated Activities**

In their separate capacities as registered representatives and/or insurance agents, FRIM management persons and employees that are separately licensed as registered representatives with FRSC or as insurance agents with will be able to effect securities transactions and/or purchase insurance and insurance-related investment products for FRIM’s advisory clients, for which they will receive separate and additional compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities or insurance. Clients should be aware that the receipt of additional compensation by FRIM and its management persons or employees creates a conflict of interest that may impair the objectivity of FRIM and these individuals when making advisory recommendations. FRIM endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this and other conflicts of interest arising due to FRIM’s various affiliations:

1. FRIM discloses to clients the existence of all material conflicts of interest, including the potential for FRIM and its employees to earn compensation from advisory clients in addition to FRIM’s advisory fees;
2. FRIM discloses to clients that they are not obligated to purchase recommended investment products from FRIM’s employees or Related Companies;
3. FRIM collects, maintains and documents accurate, complete and relevant client background information, including the client’s financial goals, objectives and risk tolerance;
4. FRIM’s management conducts reviews of client accounts to verify that all recommendations made to a client are suitable to the client’s needs and circumstances;
5. FRIM requires that its employees seek prior approval of any outside employment activity so that FRIM may ensure that any conflicts of interests in such activities are properly addressed;
6. FRIM periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by FRIM; and

7. FRIM educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

FRIM 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 FRIM.

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 FRIM's employees. All of the provisions of the Code apply to all of FRIM's employees. In addition, the Code's provisions apply to any account in which the employee has a beneficial interest or over which the employee exerts influence or control.

#### Principal elements of the Code of Ethics which describe how FRIM addresses conflicts that may arise.

FRIM requires all employee (and household members) to pre clear their personal securities transactions for securities that are covered under its Code of Ethics. The following are the principal elements of the Code of Ethics:

- Prohibitions on short selling, IPO participation,
- Prohibition on short term profits (60 Day Holding requirement);
- Prohibition on some personal trades for all employees in which there is a pending order for any advisory Account (except in the case of deminis amounts which is outlined as above \$20,000 or 5,000 shares (\$250,000 for S&P 500 stocks; top 20 ETS and top 50 ADRs)\_
- 48 hour black out period for changes to FRIM's recommended list
- For employees who provide investment advice, a prohibition on buying or selling a Covered Security of an issuer traded in an associated client account within two (2) days (day prior to the client trade, before, same day or on the day after) the client trade.
- Pre-clearance on investments in private placement securities;
- Reporting requirements including: initial and quarterly holdings disclosure, initial and annual Code of Ethics certification, quarterly trading disclosure, initial and quarterly brokerage account disclosure (including provision of duplicate confirmations and statements if data is not obtained electronically via Sungard PTA), initial and quarterly Outside Business Affiliations Disclosure, initial and quarterly political contributions disclosure, initial and quarterly Conflict of Interest Policy certification, initial and quarterly Compliance 'Bad Actor' attestation. Reports are submitted to Compliance.
- Pre clearance of all outside business activities

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

FRIM's Chief Compliance Officer is responsible for the implementation and administration of the Code. The Compliance department has the following monitoring responsibilities, including but 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 FRIM's Compliance Committee, any circumstance of fraud, deceit, or manipulative practice which could be found to have been practiced on a client of FRIM in connection with personal trading by employees and other material violations of the Code.

From time to time, FRIM may invest in securities on behalf of clients that are of the same type that FRIM'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 they invest in the same strategy as the client, 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 FRIM's clients, and aggregates and average prices these purchases and sales, there is no de minimis limitation.

### Review of Accounts

#### Periodic Reviews

FRIM Portfolio Managers are responsible for ongoing review of client accounts and maintain regular contact with each client. Client portfolios are also supervised by the Portfolio Review Committee to monitor the asset allocation versus investment objective guidelines.

#### Review Triggers

More frequent reviews are triggered by a change in investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; or changes in economic climate.

#### Regular Reports

Investment advisory clients receive standard account statements from their custodian at least quarterly and may be provided written quarterly reports that contain more details about holdings; cost basis; current market prices; rates of return; estimated annual income; and yield.

### Referrals and Other Compensation

First Republic Bank (the "Bank"), the parent company of FRIM, refers clients of the Bank to FRIM and vice versa. FRIM does not run sales contests, but encourages Bank referrals and offers compensation, recognition, awards and other prizes for bankers who refer the most business to FRIM.

This practice presents a conflict of interest for bank referrals because it gives an incentive to recommend investment products based upon the compensation received rather than on a client's needs. However, when providing investment advisory services to clients, FRIM is a fiduciary and is required to act solely in the best interest of clients. FRIM addresses this conflict through disclosure in this brochure and by adopting internal policies and procedures that require investment advice to be suitable for advisory clients (based upon the information provided by such clients).

Notwithstanding the foregoing, FRIM 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.

### Additional Compensation

FRIM may compensate its employees whereby the employee upon bringing a new client to FRIM, receives a portion of the fees paid by client to FRIM. Additionally, FRIM Portfolio Managers may also be registered with FRSC as broker-dealer representatives. In such capacities, FRIM Portfolio Managers may provide brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities, and sales of life insurance policies and annuities. This practice presents a conflict of

interest because it gives FRIM Portfolio Managers an incentive to recommend investment products based upon the compensation received rather than on a client's needs. However, when providing investment advisory services to clients, FRIM Portfolio Managers are fiduciaries and are required to act solely in the best interest of clients. FRIM addresses this conflict through disclosure in this brochure and by adopting internal policies and procedures for FRIM and FRSC that require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such clients).

FRIM receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through FRIM's participation in the Schwab Advisor Network (the "Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with FRIM. Schwab does not supervise FRIM and has no responsibility for FRIM's management of clients' portfolios or FRIM's other advice or services. FRIM pays Schwab fees to receive client referrals through the Service. FRIM's participation in the Service may raise potential conflicts of interest. FRIM pays Schwab a Participation Fee on all referred client accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by FRIM is a percentage of the value of the assets in the client's account or of the fee billed by FRIM. FRIM pays Schwab the Participation Fee for as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to FRIM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by FRIM and not by the client. FRIM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs FRIM charges clients with similar portfolios who were not referred through the Service.

FRIM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees FRIM generally would pay in a single year. Thus, FRIM will have an incentive to recommend that client accounts be held in custody at Schwab. The Participation and Non-Schwab Custody Fees will be based on assets in accounts of FRIM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FRIM will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts at Schwab.

FRIM is a Separate Account Manager (SAM) for clients in a Schwab program. Under this program, a client is referred to FRIM by a registered investment manager (IM) which acts as primary manager and is responsible for establishing investment objectives and guidelines for the client. FRIM, as sub-advisor, is responsible for investing client assets in accordance with the written investment policy statement. Annual fees paid to FRIM for Separate Account Management services are based on the fair market value of the assets. These fees, as well as additional charges for the registered investment advisor and transaction based fees paid to Schwab are fully disclosed to the client by the investment manager.

FRIM receives an economic benefit from Schwab by having fees waived or by not being charged for utilizing specialized investment advisor electronic information downloads, access to specialized institutional brokerage trading and customer service teams, and specialized batched statements.. From these services, FRIM is then able to more efficiently and readily manage clients' accounts. This benefit presents a conflict of interest because it gives FRIM an incentive to recommend custody based upon the benefits received rather than on a client's needs. However, when providing investment advisory services to clients, FRIM is a fiduciary and is required to act solely in the best interest of clients. This conflict is addressed through disclosure in this brochure and by adopting internal policies and procedures that require it provide investment advice that is suitable for advisory clients.

FRIM also participates in TD Ameritrade's institutional customer program and FRIM may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between FRIM's participation in the program and the investment advice it gives to its clients, although FRIM 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 FRIM 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 FRIM by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by FRIM's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit FROM but may not benefit its client accounts. These products or services may assist FRIM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help FRIM manage and further develop its business enterprise. The benefits received by FRIM 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, FRIM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by FRIM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence FRIM's choice of TD Ameritrade for custody and brokerage services.

Additionally, FRIM 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, FRIM 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 FRIM 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 FRIM and has no responsibility for FRIM's management of client portfolios or FRIM's other advice or services. FRIM 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 FRIM ("Solicitation Fee"). FRIM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by FRIM 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 FRIM on the recommendation of such referred client. FRIM 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.

FRIM'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, FRIM may have an incentive to recommend to clients that the assets under management by FRIM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, FRIM 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. FRIM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

FRIM is party to referral arrangements with third party solicitors, constructed in accordance with Rule 206(4)-3 of the Advisers Act, whereby third party solicitors will refer potential clients to FRIM in exchange for compensation based on a percentage of advisory fees collected.



**Financial Information**

FRIM is a wholly owned subsidiary of First Republic Bank, a publicly traded company, the balance sheet of which is publicly available.

FRIM 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 FRIM is not required to be disclosed.

FRIM has no financial condition to disclose that is reasonably likely to impair its ability to meet contractual commitments to clients at this time.

FRIM has not been the subject of a bankruptcy petition at any time during the past ten years.