



FIRST REPUBLIC INVESTMENT MANAGEMENT

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FORM ADV Part 2A

First Republic Investment Management, Inc. ("FRIM")

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<https://www.firstrepublic.com/private-wealth-management/investment-management-services>

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This brochure provides information about the qualification and business practices of First Republic Investment Management, Inc. ("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.

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 Form ADV Part 2A (“the Brochure”) since FRIM’s most recent update on March 18, 2016. Although not all of these changes are material, clients are encouraged to review the changes and the Brochure in its entirety.

Item 4: This item contains information regarding an online investment management platform offered by FRIM.

Item 10: This item contains updated disclosure regarding the Eagle Sweep Account program used to hold uninvested cash in brokerage accounts of First Republic Securities Company, LLC (“FRSC”) clients and the new Eagle One Sweep Bank Deposit Sweep Program (Eagle One BDSP) available to certain investment advisory clients of FRIM, including disclosure of conflicts of interest associated with these accounts and how FRIM mitigates these conflicts.

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Item 4 - Advisory Business

First Republic Investment Management, Inc. (“FRIM”), was acquired by First Republic Bank (“FRB”) in 1999. FRIM is a wholly owned subsidiary of FRB, a publicly held California Bank which trades on the NYSE (symbol FRC). First Republic Bank was founded in 1985.

Investment Management Services

FRIM provides full service personalized investment solutions for 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 FRIM’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.

Online Investment Management. Separately, FRIM offers an online investment management solution which offers an alternative version of FRIM’s advisory services. This vehicle offers a less customized, digital solution which requires more client involvement. The primarily online service is more reliant on client input and clients who experience material changes to their goals, objectives or financial circumstances are required to provide updated information. Advisors supporting this offering are available to assist clients when needed. It is important that clients determine whether this service is appropriate for their investment needs and goals.

Financial Planning Services

FRIM may offer integrated financial, tax and estate planning to our high net worth clients and prospects. Financial planners are available in each geographic region to work with prospects and clients seeking financial planning.

Financial planning services generally involve a comprehensive review of the client's liquid and illiquid investment holdings, estate plan documents, income and gift tax returns, shareholder or partnership agreements, generational planning structures and philanthropic entities, as applicable.

Private Funds

FRIM also provides investment management services to a number of private funds ("the Altair Funds"), many of which are structured as funds of funds or access vehicles to underlying funds or portfolios managed by third party investment advisers. If appropriate, FRIM may recommend that certain clients invest a portion of his/her portfolio in private funds, including, but not necessarily limited to, the Altair Funds. All relevant information pertaining to private funds recommendations, including the compensation received by FRIM or an affiliate, withdrawal rights, minimum investments, qualification requirements, suitability, risk factors and potential conflicts of interest are set forth in the relevant fund's confidential private offering memorandum, investor agreements, and subscription agreement (collectively the "Offering Documents"). Each investor is required to receive, review and execute the Offering Documents prior to being accepted as an investor in any of the private funds.

While each private fund is generally FRIM's client (and not the individual investors), the term "client(s)" sometimes refers to the investors in the private funds.

FRIM will devote its best efforts with respect to its management of both the private funds and its individual client accounts. Given the unique objectives, suitability, risk factors, and qualifications of individual clients, FRIM may give varying advice with respect to the appropriateness of private funds.

Sponsor and Manager of Wrap Program

FRIM is the sponsor and manager of wrap fee programs (the "Programs"). The services and management style provided in the Programs 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 upon transactions in a client's account is charged for advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

Wrap fee 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. Eligibility for the Program is assessed annually. Additionally, FRIM may recommend Independent Managers (as defined below) that charge a single advisory fee, without additional transaction costs.

Fees

In evaluating the Programs, clients should consider therefore that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were purchased separately. A complete description of the Programs' terms and conditions (including fees) are contained in the Programs' wrap fee brochure.

Assets under management as of 12/31/2015

Discretionary	\$34,320,797,603
Non-discretionary	\$12,890,091,123
Grand Total	\$47,210,888,726

Item 5 - Fees and Compensation

FRIM offers its services on a fee basis, which may include fixed fees, as well as fees based upon a percentage of assets under management.

Investment Management Fee

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 trading 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 charge a lower or higher 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

Equity/Balanced Portfolios	
AUM	Incremental Fee
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

Fixed Income Portfolios	
AUM	Total Fee ⁽¹⁾
\$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).

FRIM's online investment management platform also charges asset based fees for its advisory services. However, due to the nature of this arrangement, the fee will differ from the above fee schedules and is outlined in the Investment Advisor Agreement entered into with the client.

With respect to money market and other investment companies or pooled investment vehicles that charge management and service fees, and to the extent an account invests in such mutual funds and investment companies or other pooled vehicles, the client will, in effect, bear two levels of management fees regarding that portion of an account - one charged at the fund level, and a second charged by the applicant at the account level.

Assets invested in pooled investment vehicles which are managed by FRIM will pay the fees as agreed to under the relevant fund's confidential private offering memorandum, investor agreements, and

subscription agreement (collectively the “Offering Documents”). Information regarding termination of an investment in these funds can also be found in the Offering Documents.

To the extent permitted by applicable law, FRIM and its affiliates may retain any fees or compensation paid to FRIM or its affiliates for services provided with respect to any investment fund or investment vehicle in which the client invests, which shall not offset or reduce the fees charged under the IMA (“Investment Management Agreement”). This presents a conflict of interest and gives FRIM and its affiliates an incentive to recommend investment products based on compensation received rather than on a client’s needs. These conflicts are addressed through disclosure in this Brochure and by adopting internal policies and procedures that require investment advice to be suitable for advisory clients. If the client account is subject to Title I of ERISA or Section 4975 of the Code, in the event account assets are invested in any investment vehicle in respect of which 12b-1 fees or any other fees or amounts are payable to FRIM (or any of its affiliates), the pro-rata share of such 12b-1 and other fees attributable to the account’s investment shall be either not be charged or credited to the account.

Wrap Fee Programs

For detailed information regarding the Programs, including the fee schedule, terms and other important considerations, clients should refer to the disclosure document (Form ADV, Part 2A Appendix 1) for the applicable Programs.

Financial Planning and Consulting Fees

FRIM may charge a fixed fee for financial planning and consulting services. These fees are negotiable, but generally range from \$5,000 to \$50,000, depending upon the level and scope of the services as pre-determined by the professional rendering the financial planning and/or the consulting services. If the client engages FRIM for additional investment advisory services, FRIM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging FRIM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with FRIM setting forth the terms and conditions of the engagement. FRIM bills the financial planning / consulting fee upon entering the written agreement. Amounts billed are payable before any work may begin. In the event the agreement is terminated prior to the delivery of the plan, the client may request a refund. FRIM retains the right to deny the request or reduce the amount of the refund to offset the time and expenses attributable to the work that has already been performed by the professional rendering the services.

Fees Charged by Other Financial Institutions

FRIM generally recommends that clients utilize the brokerage services of FRSC (FRSC is an affiliate of FRIM), Charles Schwab & Co., Inc. (“Schwab”), TD Ameritrade or Fidelity Investments company for investment management accounts. Financial institutions utilized include, but are not limited to FRSC, Schwab, TD Ameritrade, Fidelity, any other broker-dealer recommended by FRIM, any broker-dealer directed by the client, trust companies, banks etc. and are collectively referred to herein as the “Financial Institutions”. For additional information regarding brokerage and other transaction costs, please refer to Item 12 (“Brokerage Practices”) of this Brochure.

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer

and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to FRIM fees.

FRIM's IMA and the separate agreement entered into by the Client with any Financial Institutions may authorize FRIM or independent investment managers and investment funds recommended by FRIM or selected by client which shall be referred to herein as ("Independent Managers"), to debit the client's account for the amount of FRIMs fee and/or the Independent Manager's fee to directly remit that management fee to FRIM or the Independent Managers, respectively.

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 IMA between FRIM and the client will continue in effect until terminated by either party pursuant to the terms of the IMA. FRIM's fees are prorated and any remaining balance is charged or refunded to the client, as appropriate.

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 upon notice to FRIM, subject to the usual and customary securities settlement procedures. However, FRIM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Fees remain in effect unless a client is notified of any change in accordance with the terms of their IMA. Fees for investment management services 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 as agreed. Fees for certain existing clients may differ from the fees discussed herein based on the fee schedules in effect at the time they became clients and/or negotiations between FRIM and the Client. FRIM may agree to a different fee and minimum arrangement based upon certain circumstances such as the amount of assets under management, the nature of such assets, the type of services provided or other factors. Related accounts may be combined in order to reduce the fee charged. FRIM holds a limited power of attorney to act on a discretionary basis for client accounts, but does not maintain possession or custody of the funds or securities of any client. The client's funds and securities will typically be deposited in either a brokerage firm or bank custodian account. Clients may terminate an IMA upon formal notice to FRIM. In the event a client terminates the relationship prior to quarter-end, he/she will receive a pro-rated refund, calculated in accordance with terms of the IMA.

Item 6 - Performance-Based Fees and Side-By-Side Management

FRIM charges a performance allocation, known as “carried interest,” to one of the Altair Funds, a private equity draw-down style fund. The performance allocation is calculated on a percentage of the unrealized and realized gains of the fund only after investors have first received all the capital they have contributed to the fund.

FRIM also collects a performance-based fee on one of the Altair Funds structured as a fund-of-funds. This fund is currently closed to new investors and is in the process of winding down.

Clients should be aware that performance-based fees may potentially give FRIM a financial incentive to achieve gains and to choose investments that are riskier or more speculative than might otherwise be chosen. Also, performance-based fee arrangements present a potential conflict of interest with respect to other client accounts that are not subject to performance-based fee arrangements because such arrangements give FRIM an incentive to favor client accounts subject to performance-based fees over client accounts that are not subject to performance-based fees by, for example, allocating our best investment ideas to accounts from which FRIM stands to earn additional compensation should the account perform well.

These conflicts of interest are largely mitigated due to the structure of the private funds to which we charge performance-based fees. For example, a private equity fund generally will invest in privately-held companies that are not traded for other client accounts. In addition, the fund of funds principally invests in the interests of other private funds. Should such funds be capacity constrained, and the interests be suitable for the fund of funds as well as one or more other FRIM clients, FRIM always strives to place the interest of our clients first.

Many of the underlying hedge funds invested in by the Altair Funds also charge “performance-based fees.” Performance-based fees will only be charged by FRIM in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

Item 7 - Types of Clients

FRIM generally provides investment advice to: individuals, trusts (including estates or charitable organizations), pensions, profit sharing plans, banks, corporations and other business entities as well as several private funds.

FRIM requires a \$7,500 annual fee minimum for its separate account investment management services in order to provide sufficient individual advisory services. Under certain circumstances, FRIM may provide advisory services for less than the annual minimum. The annual fee varies, but generally will represent less than 3% of the assets under management. FRIM reserves the right to adjust or waive the minimum fee and to impose an initial set-up fee.

FRIM has expanded its offering to include online investment management which is not subject to the annual fee requirement but is subject to a minimum account size of \$10,000.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Overview

FRIM uses multiple sources of information for analysis of investment strategies, managing assets and providing investment advice. They include sources such as financial newspapers, financial magazines, research materials prepared by others, third-party research databases, company visits, prospectuses, annual reports and filings with the SEC.

Methods of Analysis:

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 (indicating 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">• Large Cap U.S. Equity• All Cap U.S. Equity• Global Dividend• Environmental, Governance & Socially Responsible (ESG)• Customized Equity	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">• Cash Management• Short, Intermediate and Long Municipal Bonds• Short, Intermediate and Long Agency/Credit	FRIM incorporates both a macroeconomic view and fundamental approach in managing fixed 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.
Third-Party Investment Strategies	FRIM researches investment managers and provides client access to these strategies through subadvisory 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.
Model Management	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.
Private Investments	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 background checks on a fund's managers.

GENERAL RISKS

The risks set forth below represent a general summary of the material risks in the investment strategies described above:

Market Risk. The value of investment securities owned may decline, at times sharply and unpredictably, because of economic changes or other events that affect individual issuers or large portions of the market. It includes the risk that a particular style of investing, such as growth or value, may underperform other styles of investing or the market generally. Securities are, by definition, speculative in nature and, over the short term, has a low margin of safety or a significant risk of the loss of principal. The investments in securities made by FRIM are not deposits or obligations of, or insured, guaranteed or endorsed by any bank, Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency, entity or person. The purchase of securities involves investment risks including the possible loss of principal.

Timing Risk. 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.

Research Risk. Fundamental analysis entails attempting to measure the intrinsic value of a security by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysis attempts to produce a value for a security which can be compared with the current price. There are several weaknesses of fundamental analysis including; models are time consuming and specific to industries or companies, models are based on assumptions which introduce subjectivity, models are subject to biases of the analyst and the definition of fair value. Fundamental analysis should be approached with caution. An inherent risk involved in the analysis is the assumption that the market or security will reach an expected value. Qualitative analysis is a non-statistical oriented analysis. It uses subjective judgment based on unquantifiable information, for example; management expertise, industry cycles, strength of research and development and labor relations. The risk involved with qualitative analysis is that there are biases introduced by the analyst. Quantitative Analysis is a method of analysis that seeks to understand behavior by using complex mathematical and statistical modeling. The risk involved with the analysis is that there is no guarantee that these models will accurately forecast results or reduce risk. There can be no assurance that a model will achieve its objective. Technical analysis is based on past market data including price and volume. The risks associated with this model are the assumption that the market will follow a pattern. However, markets do not always follow patterns or predictions of the pattern may be flawed.

Management Risk. A strategy used by the investment management team may fail to produce the intended results. FRIM will continue to conduct 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, FRIM does not have the ability to supervise the independent managers on a day-to-day basis. The principal risk posed by independent managers is that the manager and/or the securities invested in by the manager may not perform as expected. As a result, the manager and/or securities invested in by the manager may underperform and could result in a loss of principal.

Portfolio Turnover Risk. The portfolio manager may actively and frequently trade securities in the portfolio to carry out its investment strategy. A high portfolio turnover may lead to increased expenses that may result in lower investment returns. High portfolio turnover may also result in higher short-term capital gains taxable to investors.

Issuer Risk. The value of a security may decline for a number of reasons, which directly relates to the issuer, such as management performance, financial strategy and reduced demand for the issuer's products or services.

Market Sector Risk. An investment strategy may be significantly over or under exposure to certain industry or market sectors, which may cause a portfolio's performance to be more or less sensitive to developments affecting those industries or sectors.

Allocation Risk. Asset classes in which FRIM or a sub-advisor may seek investment exposure can perform differently from each other at any given time so the portfolio will be affected by its allocation among various asset classes. If the portfolio favors exposures to an asset class during a period when the class underperforms, performance may be hurt and could result in loss of principal.

Derivative Risk. A small investment in derivatives could have a potentially large impact on a portfolio's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and

difficult to value, and there is the risk that changes in the value of a derivative held in a portfolio will not correlate with the underlying investments.

STRATEGY SPECIFIC RISKS

The following risks are specific to each asset category of investing:

Equities

Generally, prices of equity securities are more volatile than prices of fixed income securities. Risks associated with investing in equity securities include and are not limited to the following:

Stock Market Risk. Investments in equity securities are subject to fluctuations in the stock market, which has periods of increasing and decreasing values.

Style Risk. Investment strategies that manage to a specific style (i.e. value versus growth) can be in or out of favor and may underperform the general equity market.

Small and Mid-Cap Stock Risk. Stocks of smaller or mid-sized companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Small and mid-sized companies may have limited product lines or financial resources, or may be dependent upon a small or inexperienced management group, and their securities may trade less frequently and in lower volume than the securities of larger companies, which could lead to higher transaction costs. Generally the smaller the company size, the greater the expected risk.

Foreign Securities Risk. Investing in non-U.S. securities may result in the investment experiencing more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies. This may be due to less liquid markets and adverse economic, political, diplomatic, financial and regulatory factors. Foreign governments may also impose limits on investment and repatriation and impose taxes. Any of these events could cause the value of the investment to decline. To the extent that the investment assets are concentrated in a single country or geographic region, the investments will be subject to the risks associated with that particular country or region.

Emerging and Frontier Market Risk. Emerging and frontier market securities involve unique risks, such as exposure to economies less diverse and mature than that of the U.S. or more established foreign markets. Economic or political instability may cause larger price changes in emerging or frontier market securities than of issuers based in more developed foreign countries.

Fixed Income

Fixed income securities are subject to various risks, the most prominent of which are credit risk and interest rate risk. These risks can affect a security's price volatility to varying degrees, depending upon the nature of the instrument. Risk associated with investments in fixed income securities include but are not limited to the following:

Interest Rate/Maturity Risk. Prices of fixed income securities rise and fall in response to changes in interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. This risk is generally lower for assets that have shorter maturities. The magnitude of this decline will often be greater for longer-term fixed income securities than shorter-term securities.

Credit (or Default) Risk. An issuer or guarantor of a fixed income security, or counterparty to a repurchase or other transaction, will be unwilling or unable to meet its payment or other financial obligations, adversely affecting the investment's value or return. Changes in credit rating of a debt security could have a similar effect.

Call Risk. If a fixed income security is redeemed by the issuer before maturity, the portfolio may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the portfolio's overall yield. This will most likely happen when interest rates are declining.

Liquidity Risk. Liquidity risk is the risk that the client's portfolio may not be able to sell or buy a security or close out an investment contract at a favorable price or time. As a result, the portfolio may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the portfolio's performance. Infrequent trading of securities also may lead to increased price volatility.

Asset-Backed/Mortgage-Backed Securities Risk. Asset-backed and mortgage-backed securities are subject to the risk of prepayment. A portfolio's yield will be reduced if cash from prepaid securities is reinvested in securities with lower interest rates. The risk of prepayment also may decrease the value of these securities. When interest rates rise, repayments of principal of these securities may occur at a slower rate than expected and the expected maturity of those securities could lengthen as a result. Securities that are subject to extension risk generally have a greater potential for loss when prevailing interest rates rise, which could cause their value to fall sharply. Both of these types of securities may decline in value because of mortgage foreclosures or defaults in the underlying obligations. Credit risk is greater for mortgage-backed securities that are subordinate to another security.

High Yield Security Risk. These securities have a higher degree of default risk and may be less liquid than higher-rated bonds. These instruments may be subject to greater price volatility due to such factors as specific corporate developments, interest rate sensitivity, negative perceptions of high yield investments generally, and less secondary market liquidity.

Municipal Security Risk. Municipal bonds are subject to risks based on factors, including economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. The value of municipal securities may be affected more by supply and demand factors or the creditworthiness of the issuer than by market interest rates. Repayment of municipal securities depends on the ability of the issuer of project backing such securities to generate taxes or revenues. There is a risk that the interest on an otherwise tax-exempt municipal security may be subject to federal income tax. To the extent that a portfolio is invested in a particular municipal sector, the portfolio's performance may be more susceptible to any economic, business or other development that generally affects that sector.

PRIVATE INVESTMENTS

Private Investments, including hedge funds and private equity, credit and real estate funds (or fund of funds), involve a high degree of risk and are not suitable for all clients. They are intended for qualified and sophisticated investors who are willing to bear the economic risk of the investments. These investments often engage in aggressive investment strategies that may increase the risk of investment loss. Private Investments can be highly illiquid, may not be required to provide periodic pricing or valuation to investors, and may involve complex tax structures and delays in distribution of important tax information. They often are not subject to the same regulatory requirements; charge higher fees and may have limited opportunity for early redemption or transference of interests. Each investor should consult his or her own advisors regarding the legal, tax, and financial suitability of private investments.

Unregistered funds are available only to investors who meet certain financial criteria described in the private placement memorandum of each such fund. Each private investment's offering memorandum will contain the applicable risk disclosures.

Item 9 - 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.

Item 10 - Other Financial Industry Activities and Affiliations

AFFILIATED BANK

FRIM is a wholly owned subsidiary of First Republic Bank, a 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 providers of financial services, 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 under the Eagle Bank Sweep program. These fees are often paid by the mutual fund, through the fund custodian, or by First Republic Bank (which is the parent company of FRSC) to FRSC. In the case of First Republic Bank, the payment takes the form of a flat, per-account monthly reimbursement. First Republic Bank also makes flat, per-account monthly reimbursement payment to FRIM relating to the Eagle One BDSP. These payments by First Republic Bank create a conflict of interest with clients. In addition, an affiliate of FRIM receives compensation from clients based on the assets in their advisory accounts, including sweep deposit balances. These conflicts are addressed as set forth below.

FRSC makes available to clients several options for holding uninvested cash in clients’ brokerage accounts. The primary option for those who qualify is the Eagle Sweep Account. 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.

The Eagle One BDSP Account is an FDIC-insured deposit account at First Republic Bank available to investment advisory clients of FRIM whose brokerage accounts are held in custody through Fidelity Brokerage Services LLC and its affiliate, National Financial Services LLC.

Funds swept into First Republic Bank deposit accounts under the Eagle Sweep and the Eagle One BDSP provide a relatively low cost source of funding for First Republic Bank. Because First Republic Bank is the parent company of both FRSC and FRIM, its role as the depository institution for Eagle Sweep and Eagle One BDSP creates a conflict of interest. Information regarding the two sweep programs, including information regarding the scope of FDIC insurance coverage and the existence of the conflicts of interest with respect to the two programs have been provided to participating clients of FRSC and FRIM.

The asset based management fee charged to client accounts does include cash and cash equivalents, including cash allocated to the Eagle Sweep Account and Eagle One Sweep BDSP 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 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.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

FRIM maintains a comprehensive Code of Ethics (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. This Code is based on the overriding principle that the Employees have a fiduciary duty to firm clients. All activities of FRIM's employees shall be guided by, and adhere to, these fiduciary standards. The Code sets forth specific rules and procedures that are consistent with these fiduciary standards. However, all activities by Employees are required to conform to these standards regardless of whether the activity is specifically covered in this Code.

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.

FRIM requires all employee (and immediate family members living in the employee's household) to pre clear their personal securities transactions for securities that are covered under its Code of Ethics. Accounts covered by the Code, include the following:

- A. **Beneficial Ownership**
All accounts over which an Access Person has a Beneficial Ownership interest, including but not limited to - Individual, IRA, Joint, UGMA, 529 Plans and Trust accounts. This includes accounts (managed, brokerage) held at firms affiliated with FRIM.
- B. **Immediate Family**
All accounts of Access Person's household, which includes spouse or domestic partner; blood relative and their spouse if they: reside with the Access Person; or are financial dependent on the Access person or other persons who live with the Access Person or to whom an Access Person provides material financial support.
- C. **Investment Control**
All Accounts over which an Access Person exercises investment control. This includes any arrangement where the Access Person serves as an agent, executor, and trustee or in another similar capacity. (Note: Access Persons wishing to act as an agent, executor or trustee for a non-family related individual or entity must have the activity approved by PWM Executive Management prior to assuming those responsibilities).

The following are the principal elements of the Code of Ethics:

- Prohibitions on IPO participation;
- Restriction on Private Investments
- Prohibition on Short Term Trading Profits (30 day Holding requirement);
- Prohibition on personal trades for all employees in which there is a pending order for any advisory Account except in the case of de minimis amounts which is defined as follows:
 - On any given day, transactions involving less than 5000 shares
OR
 - On any given day, transactions involving principal amount less than \$50,000 in securities of market capitalization larger than \$5B

- 48 hour black out period for changes to FRIM's recommended list
- For investment professionals, a prohibition on buying or selling a security of an issuer traded in an associated client account within 5 days (2 days prior to the client trade, same day or 2 days after) the client trade.
- Prohibition of Trading in FRC Stock during the "Closed Period";
- Restriction on trading on securities on the Watch List and Restricted List;
- Pre clearance of all outside business activities;
- Pre clearance on all Political Activity per policy;
- Reporting requirements to Compliance including:
 - Initial and quarterly holdings disclosure
 - Initial and annual Code of Ethics certification
 - Quarterly trading disclosure
 - Initial and quarterly brokerage account disclosure
 - Initial and quarterly Outside Business Affiliations Disclosure
 - Initial and quarterly Political Activity disclosure
 - Quarterly Gift & Entertainment certification
 - Initial and quarterly Compliance 'Bad Actor' attestation.

A full copy of the aforementioned Code of Ethics is available upon request to the CCO at the address, fax or phone number provided on the cover page of this Brochure.

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.

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 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, 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.

Item 12 - Brokerage Practices

FRIM generally has discretionary authority to determine the securities to be bought or sold for clients, the amount of such securities, the broker-dealer to be used and the commission to be paid, subject to a client's established guidelines. FRIM will use its best efforts to obtain the best available price and most favorable execution under the circumstances with respect to all portfolio transactions executed on behalf of its clients.

When selecting or recommending a broker and negotiating commission rates for placing trades on behalf of client accounts, FRIM considers the full range and quality of brokerage services available. Both qualitative and quantitative factors are considered.

Qualitative factors include:

- timeliness and accuracy of trade confirmations
- ability to place trades in difficult market environments
- ability to provide investment ideas
- frequency of trading errors
- ability to access a variety of market venues
- expertise as it relates to specific securities

Quantitative factors include:

- timeliness of execution
- liquidity of securities traded
- ability to maintain confidentiality of trading intentions.

Research and Soft Dollar Benefits

FRIM may, in its sole discretion, cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), in return for receiving research or other products or services that save FRIM money. The advisory fees charged by FRIM are not reduced by the value of these services. As a result, FRIM has an incentive to select or recommend a broker-dealer based on FRIM's interest in receiving research or other products or services, rather than on lowest cost to the Client. Such higher commissions will be paid in accordance with Section 28(e) of the Securities Exchange Act of 1934, which requires FRIM to determine in good faith that such transactions are reasonable in relation to the value of research and execution products and services provided.

FRIM may not use research and brokerage services to benefit the particular client's account that paid for the research. Additionally, research and brokerage services may be used to benefit the accounts of FRIM's other clients. FRIM seeks to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The types of research and services acquired in the past year paid by soft dollars includes: economic, equity, fund equity, fundamental equity, third party company, macro-economic, market, technical, fixed income, mutual fund, socially responsible equity screening and private equity.

Where there is no "give up" charge for executing away from the custodian, client transactions are directed to broker-dealers in return for soft dollar benefits received by FRIM.

Brokerage for Client Referrals

FRIM has relationships with affiliated and unaffiliated broker-dealers wherein FRIM receives client referrals. This results in a conflict of interest with the client since FRIM has an incentive to select or recommend a broker-dealer based on receiving these referrals rather than selecting the broker with the most favorable execution.

FRIM participates in referral programs with various broker-dealers including TD Ameritrade and Charles Schwab. FRIM does not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest arises between the client's interest in obtaining best price and execution and FRIM's interest in receiving future client referrals. Under such circumstances, therefore, clients should be aware of their various brokerage options, including utilizing the services of the referring broker, choosing another broker, or utilizing a firm (recommended/retained) by FRIM to provide custody and execution services.

Directed Brokerage

FRIM routinely recommends that clients direct FRIM to execute transactions through a specific affiliated or unaffiliated bank or broker-dealer ("Directed Brokerage").

A direction by the client to use FRIM's affiliated bank or broker-dealer to effect transactions in the client's account could result in less advantageous execution than if another broker-dealer were used to execute the transaction. For example, the client trades may be subject to greater spreads (the difference between the bid and the offer price) or less favorable net prices. This creates a conflict of interest since FRIM has an incentive to recommend its affiliate which will collect transaction fees. Clients of FRIM, however, are under no obligation to utilize the services of its affiliated bank or broker and may choose to use another bank and/or broker and still retain FRIM to provide its advisory services.

FRIM may recommend clients use Directed Brokerage through an unaffiliated broker-dealer with which FRIM has an economic relationship. For example, FRIM has relationships with several brokers including Charles Schwab, TD Ameritrade and Fidelity. FRIM and its affiliates may receive benefits in the form of systems support, duplicate client confirmations, bundled statements; access to a trading desk that exclusively service institutional division participants; access to block trading which provides the ability to aggregate and allocate transactions to client accounts; and access to an electronic communication network for client order entry and account information. When using Directed Brokerage, FRIM may be unable to achieve the most favorable execution on behalf of the client which may cost clients more money.

Where Directed Brokerage is used, it may not be possible to aggregate trade orders. Aggregation of trade orders can benefit clients by reducing transaction costs and allow for trading at more favorable prices.

Aggregation of Trades

Where possible, FRIM will aggregate orders of clients in order to obtain a lower commission rate. In situations where aggregated trades are executed in multiple lots at varying prices, each participating client's proportionate share will reflect the average price paid or received with respect to the aggregate order. Clients should note that FRIM will be unable to aggregate trades among client accounts where the participating clients have directed the use of different brokers. In addition, trades placed in the accounts of clients that do not grant FRIM discretionary authority over his/her account may be placed after those

entered in the accounts of clients that have granted such authority due to the time involved in obtaining the nondiscretionary client's consent to the particular trade. Under these circumstances, and depending on the type of security traded, the nondiscretionary client's trade may be executed on a different day and/or at a different price, which may be more or less favorable than the price obtained for clients granting discretionary authority.

Item 13 - 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.

Item 14 - Client 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 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 adviser. 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 adviser 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 adviser 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. 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 FRIM 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 advisers. 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 advisers 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 a third party manager and receives a referral fee as an unaffiliated solicitor. 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.

Item 15 – Custody

FRIM is not a qualified custodian (bank or broker-dealer) and does not generally have custody of client assets. However, because certain clients may authorize FRIM to receive its advisory fees out of the assets in such clients' accounts by sending invoices to the respective custodians of those accounts, FRIM may be deemed by the SEC to have custody of the assets in those accounts. Such clients generally will receive account statements directly from their third-party custodians and should carefully review these statements. Clients should contact FRIM immediately if they do not receive account statements from the custodian on at least a quarterly basis.

FRIM may provide clients with separate reports or account statements providing information about the account. Clients should compare these carefully to the account statements received from the custodian. If clients discover any discrepancy between the account statement provided by FRIM and the account statement provided by the custodian, then they should contact FRIM immediately.

Additionally, in limited and incidental situations where FRIM is deemed to have custody by virtue of its affiliation with a Trust Company (and also where Investment Adviser Representatives of FRIM act as Trustees in their personal capacity), FRIM is subject to a surprise audit.

In the event client assets are maintained by a related person, FRIM will obtain a report of the internal controls relating to the custody of those assets from an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

Item 16 - Investment Discretion

As a general rule, FRIM receives discretionary investment authority from its clients at the outset of an advisory relationship. Depending on the terms of the applicable Investment Management Agreement, FRIM's authority may include the ability to select and negotiate with brokers/dealers through which transactions are executed and commissions paid (if any). FRIM is guided by any client-imposed guidelines and/or restrictions as well as the client approved Investment Policy Statement when making portfolio investment decisions. FRIM generally is not required to provide notice to, consult with, or seek the consent of its clients prior to engaging in transactions unless FRIM and the client have entered into a non-discretionary arrangement.

Item 17 - 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 an Independent Manager, the Independent Manager 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 18 - 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.