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## Part 2A of Form ADV: Firm Brochure

### Item 1 – Cover Page

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February 15, 2013

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This brochure provides information about the qualifications and business practices of Bingham, Osborn & Scarborough, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 781-8535 or email us at [info@bosinvest.com](mailto:info@bosinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Bingham, Osborn & Scarborough, LLC is also available at [www.bosinvest.com](http://www.bosinvest.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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Bingham, Osborn & Scarborough, LLC (“BOS”) is a registered as an investment adviser under the Investment Advisers Act of 1940; such registration does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

We have updated our firm brochure and brochure supplements previously dated March 31, 2012 to reflect recent personnel changes and other minor clarifications. We do not consider these changes to be material.

You may request a copy of our brochure, at any time and at no charge, by contacting your Client Service Team at 415-781-8535.

Additional information about BOS is available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with BOS who are registered, or are required to be registered, as investment adviser representatives of BOS.



*Invest with vision*

SAN FRANCISCO  
SILICON VALLEY  
HEALDSBURG

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Brochure Supplement

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## **Item 4 – Advisory Business**

Founded in 1985, Bingham, Osborn & Scarborough, LLC (“BOS”) is an independent Registered Investment Advisor providing investment management and advisory services to both individuals and selected institutions and nonprofit organizations. For individuals and their families, the firm also provides comprehensive financial planning services that address a wide variety of issues within areas such as estate, tax, insurance and retirement planning generally at no additional fee.

The core of our approach to comprehensive wealth management is the fundamental belief that we must strive to understand the "complete picture" of your financial situation in order to deliver the highest quality financial and investment advice. This includes:

- Understanding your financial goals, needs, lifestyle aspirations and concerns;
- Clarifying your tolerance for risk, in its various forms;
- Taking a broad macroeconomic view of markets and investing opportunities;
- Applying our analytical and disciplined approach to evaluating and controlling risk, and constructing highly diversified portfolios tailored to your goals and preferences; and
- Minimizing the total cost of investing, including expense ratios, fees and taxes.

This is what we call "Investing with Vision" and it is a process we have used and refined for over 25 years.

Approximately 89% of the firm’s business represents advisory work for 849 individual clients and their families. As of December 31, 2012, BOS managed \$2.205 Billion of client assets on a discretionary basis and \$355 Million on a non-discretionary basis.

**Investment Management and Reporting Services:** BOS provides investment management and related reporting services. Our investment management services include portfolio management with a long-term, diversified, controlled-risk perspective and a disciplined approach. Reporting services include periodic written reports (either quarterly or annually) showing:

- Current market values for all investments;
- The percentage breakdown of the portfolio by major securities markets

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- Percentage gain or loss in portfolio value over the measurement period and;
- Returns of relevant market indices.

Your wealth management team monitors your portfolio regularly and recommends portfolio adjustments based on a number of factors including our research and analysis, changes in market conditions, and changes in your personal situation. We develop your investment strategy with your input and agreement and summarize this strategy in an Investment Policy Statement.

**Financial Planning Services:** The BOS financial planning process starts with the gathering of financial information through oral interviews and/or the completion of a financial questionnaire. Upon consultation, BOS prepares a written plan (a “strategic plan”) based on your individual financial needs, goals and tax status. You will receive a copy of this written plan, which is presented and discussed in one or more personal meetings.

A strategic plan will outline specific financial and retirement goals and will calculate the rate of return and savings rate required to achieve them. The strategic plan generally also contains an asset summary, consisting of a compilation of your existing investment assets. These may include insurance needs analyses (life, disability or long-term care), an education funding model, or an estate plan overview and recommendations, among other items.

**Specialized Services:** Occasionally, BOS may also contract with you to provide specialized services at an hourly rate.

**Wrap Fee Programs:** BOS does not participate in wrap fee programs. We may recommend the use of separately managed accounts for certain investments such as municipal bonds. Such investments may incur a fee separate from our management fee.

**Client Engagement Agreements:** We will prepare an engagement letter for your signature that outlines the terms of BOS’s relationship with you, the services we will provide, and the fees we will charge.

**BOS Ownership:** BOS is 72% owned by Boston Private Financial Holdings (“BPFH”), a Boston-based holding company, and 28% owned by eight Principals who are employed and involved in the management of the firm (Carol Benz, John Burns, Dave Campbell, Kevin Dorwin, Jennifer Ellison, Rich Golinski, Jeff Lancaster, Ed Osborn, and Colleen Supran) and

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two retired Principals of the firm (Robert Bingham and John Scarborough). Transfers of ownership between existing Principals, BOS and BPFH do occur. BOS Principals hold three of the five seats on the BOS Board of Managers and BPFH representatives comprise the remaining two seats.

BPFH is a public company and also owns part or all of a total of five different affiliates involved in private banking, investment management, and comprehensive wealth management throughout the United States.

All affiliates are operated as independent entities with their own business models and boards of directors. BOS has no formal business agreements with any of the affiliates, other than with Boston Private Bank & Trust Company (formerly Borel Private Bank & Trust Company) for trust services.

## **Item 5 – Fees and Compensation**

BOS is compensated for its investment management and financial planning services by a fee calculated as a percentage of the fair market value of your assets under our management according to one of two separate fee schedules. You or prospective clients may ask at any time for information regarding BOS compensation.

(1) For individual clients with equity or balanced portfolios, the percentage fee will be:

<i>Fee</i>	<i>Portfolio Size</i>
1.00% - on portion up to -	\$ 1,500,000
0.75% - on portion over -	\$ 1,500,000
0.40% - on portion over -	\$ 5,000,000
0.25% - on portion over -	\$10,000,000
0.20% - on portion over -	\$25,000,000

*Minimum Consolidated Portfolio Size \$2,000,000  
(Minimum Annual Fee \$18,750)*

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(2) For institutional clients with equity or balanced portfolios, the percentage fee will be:

<i>Fee</i>	<i>Portfolio Size</i>
0.75% - on portion up to -	\$ 1,500,000
0.60% - on portion over -	\$ 1,500,000
0.40% - on portion over -	\$ 5,000,000
0.25% - on portion over -	\$10,000,000
0.20% - on portion over -	\$25,000,000

*Minimum Consolidated Portfolio Size \$2,000,000  
(Minimum Annual Fee \$14,250)*

For individual clients, BOS will provide general non-securities financial planning advice on topics which include tax planning, budgetary planning, estate planning, loan refinancing, educational funding and other topics. Such general non-securities financial planning advice is included in the annual percentage of assets fee charged to individual clients.

The portfolio value upon which the percentage fee is based will include the current fair market value of all of your investments managed by BOS. These may include mutual funds, exchange traded funds, limited partnerships, fixed and variable annuity accounts, stocks, bonds, and other securities. For purposes of determining the market values, investments for which no market value or market value estimate is readily available will generally be valued at cost or book value.

Fees are billed quarterly in arrears based upon the portfolio value at the end of the quarter. We will prorate the fees for new clients and new accounts for existing clients based on the funding date for each new account. BOS does not bill or accept payment of fees in advance.

Following each quarter you will receive a separate statement from us showing the amount of our quarterly fee and how it was calculated. Fees will be deducted automatically from your custodial money market account after your quarterly billing packets have been mailed. We also accept payment by check. Though we take great care in calculating fee amounts, we encourage you to check the accuracy of the fee calculation, because your custodian is unable to do so.

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Normally investments are placed through an institutional brokerage account with an independent custodian such as Charles Schwab & Co., Inc. (“Schwab”) or Fidelity Investments Institutional Brokerage Group (“Fidelity”), both of which are national broker/dealers and members of the Securities Investor Protection Corporation (“SIPC”) and the New York Stock Exchange (“NYSE”). The independent custodian may charge commissions on the purchase and sale of stocks and bonds, and transaction fees on the purchase and sale of non-commissioned (no-load) mutual funds. Neither BOS, nor any of its Principals, are affiliated with these brokerage firms nor share in any of the fees charged by custodians. See Item 15 for further information. BOS’s fees are separate and distinct from the fees and expenses charged by mutual funds which may be suggested by BOS for investment. These fees are also separate from any custodial fees. A description of the mutual fund fees and expenses is available in each fund’s prospectus. Item 12 further describes the factors that BOS considers in selecting or recommending broker-dealers for your transactions and determining the reasonableness of their compensation (e.g., commissions).

In connection with its financial and investment advisory services, BOS may make recommendations for the purchase or sale of securities or insurance products. These recommendations may be implemented through your agent or through an agent recommended by BOS. BOS will receive no commissions or benefits, either directly or indirectly, for such transactions.

BOS also provides investment management and reporting services at a different fee schedule to self-directed 401(k) and other retirement plans. These services may include recommendations for investment options, assistance in the preparation of employee educational booklets, annual employee seminars, quarterly employee reports on investment performance, annual review meetings with the employer, and periodic recommendations for changes in investment options. These services are provided at an annual percent of assets fee for individual fund options billed quarterly and this fee schedule is available upon request.

BOS reserves the right to accept or decline a new client. Fees are generally not negotiable, although BOS reserves the right to negotiate special fee schedules under special circumstances. For instance, a lesser custodial fee may be charged on assets under the purview of BOS which are not under our full management.



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The fee for financial planning work is normally included in the firm's asset management fee, unless the analysis to be done is particularly complicated, or your assets under management are below the BOS minimum. BOS may contract with you to provide specialized financial planning, consulting or advisory services at an hourly rate of \$300/hour for Principals and \$175/hour for Portfolio Managers. An estimate of the cost is presented and approved before the work is started. All hourly fees are billed in arrears for work completed.

BOS may retain or consult with qualified and properly licensed experts to assist in the preparation of financial plans. Such experts may include investment advisors, benefit planning specialists, and life and disability insurance agents or brokers and will be retained at no additional cost unless specifically disclosed in advance.

Your agreement with BOS may be terminated by you without cost or penalty any time after entering into the agreement upon giving BOS written notice. In the case of fees calculated as a percentage of assets under management, your fees will be prorated for the final quarter during which BOS provided services and you shall pay only those fees allocated to the period up to the date BOS receives written notice of termination of the contract by you. In the case of specialized services provided at an hourly rate, all hourly fees shall cease to accrue when BOS receives written notice of termination. BOS will bill you only for work completed up to the time of termination of contract.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

This item is not applicable to BOS because neither BOS nor any of its Principals or employees accepts performance-based fees (i.e., fees based on a share of capital gains from or capital appreciation of your assets).

### **Item 7 – Types of Clients**

The types of clients to whom we generally provide investment advice include individuals, trusts, foundations, endowments, charitable organizations, corporations or other businesses, pensions and profit sharing plans. As a minimum requirement for providing financial services, BOS requires that you have at least \$2,000,000 in investable assets. This is defined as assets which

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may be invested or reinvested over the following six months. This requirement may be waived in the case of long-time clients, persons referred to BOS by existing clients, persons with whom BOS or its Principals or employees have existing or pre-existing relationships, or in situations in which BOS believes the person's potential for future financial growth is significant.

BOS retains discretion to decline management of your or a prospective client's account. In such instances, BOS will attempt to provide a suitable alternative advisor recommendation for your consideration.

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

### *Methods of Analysis:*

The methods BOS uses to analyze investments rely heavily on analytical tools and historical databases of securities prices that we have developed in-house. Our database for U.S. stocks and bonds begins in 1926. We also have databases for many different U.S. and foreign asset classes that begin at later dates.

BOS analyzes the historical returns and risk data of many different asset classes and utilizes the results of this analysis when developing portfolio strategy. We examine an investment's performance both in isolation and within the context of a diversified portfolio. We seek investments with different patterns of returns (not 100% correlated) with the goal of reducing portfolio risk.

BOS monitors the individual investments utilized in your portfolios on an ongoing basis to ensure that they remain what we believe to be the best choices for you.

### *Investment Strategies:*

Our overarching goal is to develop investment strategies that provide you with the highest probability of achieving your financial goals.

Our approach starts with carefully considering your financial goals, constraints, and risk tolerance. We then develop tailored investment strategies with the goals of generating

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competitive long-term returns and moderating risk. We prefer low-cost investment vehicles and emphasize an investment selection process that is free of any potential conflicts-of-interest.

We diversify portfolios among major investment markets that may include:

- U.S. dollar cash instruments;
- High-quality short to intermediate term U.S. dollar bonds and notes;
- Foreign bonds and notes;
- Specialty U.S. common stocks such as technology and real estate;
- Large company U.S. common stocks;
- Small company U.S. common stocks;
- Foreign stocks (including emerging markets); and
- Commodities (including precious metals such as gold and silver).

In selecting securities to represent these different investment markets, we emphasize two primary criteria: 1) the security should accurately represent the return and risk characteristics of the particular asset class and 2) the security should be cost effective (low cost).

In certain instances, we may also recommend securities with a more specialized purpose such as funds designed with the goal of increasing in value when the stock market declines.

In most of the cases in which BOS recommends the purchase of securities, we recommend purchases of “managed portfolios”, such as mutual funds, exchange-traded funds, fixed/variable annuities, publicly traded real estate securities, or other types of funds representing particular markets.

When analyzing “managed portfolios”, BOS evaluates many different factors including (if available):

- Fund manager’s description of investment strategy;
- Historical returns (level and timing of returns, and correlations with their respective asset classes);
- Yield;
- Expense ratio;

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- Portfolio turnover rate;
- Assets under management;
- Age of the fund;
- Average market capitalization (equity funds);
- Average maturity (fixed income funds);
- Average credit quality (fixed income funds);
- Country allocation (foreign funds);
- Price to book ratios (equity funds); and
- Fund company background and history.

BOS may recommend alternative investments (e.g., limited partnerships, private placements, hedge funds, etc.) although they are not the predominant portion of BOS-managed client portfolios. In certain instances, BOS may maintain these types of investments on your behalf on BOS's portfolio accounting system even though BOS has not recommended the particular investment. Because of the difficult nature in pricing these assets, pricing utilized by BOS will be determined by the custodian of the assets or, in rare circumstances, as directed by you. BOS does not assume responsibility for investment decisions related to alternative investments that BOS has not recommended and are not part of BOS's list of approved investments.

In addition, certain clients may impose restrictions on the investment in certain securities or types of securities. All such restrictions will be noted in the Investment Policy Statement.

BOS engages in a disciplined, long-term investment approach and does not engage in short-term market timing in an effort to increase portfolio returns. BOS has developed an enhancement to our investment approach called the Risk Adjustment Strategy ("RAS") which is designed with the goal of providing additional downside protection in portfolios such that the effect of major and long-lasting bear markets may be mitigated. The RAS allows BOS to adjust the targeted mix of equities and fixed income in a portfolio when our analytics indicate a heightened risk of a major, prolonged market decline. The RAS is implemented on a client-by-client basis and you are not required to participate in the RAS.

The primary risks associated with the RAS include:

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- The possibility of lower portfolio returns than you otherwise would have earned due to “false risk reduction signals” as a result of which BOS reduces your stock allocations but the stock market subsequently increases in value; and
- Higher transaction costs due to more frequent transactions and an accelerated realization of capital gains.

In addition, participation in the RAS does not guarantee a smaller loss during major stock market declines, particularly if the market decline occurs over a short period of time.

BOS recommends the Risk Adjustment Strategy on a client-by-client basis based on our careful consideration of your goals, risk tolerance, and unique circumstances. BOS does not charge additional management fees to those who choose to participate in the RAS, but BOS does require clients that participate in the RAS to grant us discretionary trading authority in their accounts.

In making investment recommendations or preparing financial plans, BOS obtains general information from commercially available services, including services covering taxation, investment companies, real estate investment trusts, stocks and bonds, annuities, market conditions, and historical information and ratings on individual securities. BOS may also employ consultants to provide additional expertise in unique situations. Evaluations and quotations on inactively traded issues may be obtained from broker/dealers.

**Risks:**

The investment performance of your portfolio is affected by the investment performance of the underlying securities in which the portfolio invests. The ability of the portfolio to achieve its investment objective depends on the ability of the underlying securities to meet their investment objectives and the allocation of the portfolio’s assets among the underlying securities. There can be no assurance that the investment objective of your portfolio or any underlying securities will be achieved. Through its investments in underlying securities, your portfolio is subject to the risks of the underlying securities’ investments and you can experience losses. Certain risks of the underlying securities’ investments are described below.

*Market Risk:* Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the

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underlying funds that own them, to rise or fall. Because the value of your investment will fluctuate, there is the risk that you will lose money.

*Correlation Risk:* In addition to the potential for individual funds and securities to lose value, there is the risk that correlations between individual funds, securities, and asset classes increase resulting in a decrease in the risk reduction benefits of diversification. In particular, there is a tendency for correlations of different types of risky assets such as stocks to increase during periods of financial stress. As such, portfolio losses can be more severe than would otherwise be the case if correlations had remained at lower levels.

*Foreign Securities and Currencies Risk:* The prices of foreign securities may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

*Small Company Risk:* Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

*Value Investment Risk:* Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause your portfolio at times to underperform equity funds that use other investment strategies.

*Emerging Markets Risk:* Numerous emerging market countries have a history of, and continue to experience, serious and potentially continuing, economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade in and risky. Foreigners are often limited in their abilities to invest in, and withdraw assets from, these markets. Additional restrictions may be imposed under other conditions.

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*Commodities Risk:* Investing in commodities future contracts through mutual funds and exchange-traded vehicles entails risks unique to this structure. Commodities futures contracts may not accurately track the prices of the underlying commodities. In addition, certain investments that are used to gain exposure to commodities may contain counterparty credit risk. Commodities prices can be highly volatile.

*Interest Rate Risk:* Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

*Credit Risk:* Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact a fixed income fund's performance.

*Income Risk:* Income risk is the risk that falling interest and/or dividend rates cause a portfolio's income to decline.

From time-to-time, we use phrases in our marketing materials that we believe capture key aspects of our investment approach. These phrases include:

Invest with Vision.

Your Financial Future. Our Discipline.™

We manage the money you want to keep.™

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BOS or the integrity of BOS's management. BOS has no information applicable to this Item.



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

Please see Item 4.

Four Principals of the firm (Mr. John M. Burns, Mr. Kevin Dorwin, Mr. Jeffrey D. Lancaster and Mr. Earl D. Osborn), six Portfolio Managers (Mr. Joel R. DeMaria, Mr. James L. Osborn, Ms. Michelle E. Soto, Mr. Aaron P. Waxman, Ms. Christine Yee and Ms. Barbara A. Ziontz), and one Portfolio Associate (Mr. Daniel S Lee) are CERTIFIED FINANCIAL PLANNER™ professionals and four Principals of the firm (Mr. David J. Campbell, Ms. Jennifer L. Ellison, Mr. Richard T. Golinski, and Ms. Colleen S. Supran) and one Portfolio Manager of the firm (Ms. Freda L. Zietlow) hold the Chartered Financial Analyst® designation. Ms. Barbara Ziontz is also a licensed life and disability insurance agent, and licensed variable contract insurance agent. Ms. Ziontz is licensed as an insurance agent in order to serve as a technical resource for you on matters of insurance; neither she nor BOS earns any commissions as a result of this licensing.

## **Item 11 – Code of Ethics**

From time to time Principals and employees of BOS may recommend mutual funds or other securities which Principals and employees of BOS have purchased or intend to purchase for their personal accounts. In fact, the firm's Principals generally purchase for their own accounts, to the extent consistent with their goals and objectives, the same investments recommended to you in similar circumstances. In most cases, such purchases will involve publicly traded mutual funds. However, they may also involve purchases or sales of individual equities or bonds. If the possibility of a conflict of interest occurs, your interest will prevail. It is the policy of BOS that priority will always be given to your orders over the orders of an employee of BOS.

To address any potential conflicts of interest involving personal trades, BOS has adopted a Code of Ethics, which includes formal personal trading and insider trading policies and procedures. BOS's Code of Ethics requires, among other things, that Principals, employees and consultants, non-employee directors, and retired Principals who own units of the Firm:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;



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- Place the integrity of the investment profession, the interests of clients, and the interests of BOS above one's own personal interests;
- Adhere to the fundamental standard that one should not take inappropriate advantage of his or her position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect positively on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

BOS's Personal Trading Policy requires Principals and employees to report personal securities transactions on a quarterly basis and to provide BOS with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

BOS collects nonpublic personal information about you from the information we receive from you and from your transactions with us or with others. We treat that information as strictly confidential, between you and the firm. Our firm's Privacy Notice and Model Privacy Form describe our privacy policies with respect to our clients. We protect nonpublic personal information of non-clients and former clients to the same extent as that of clients and, accordingly, our Privacy Notice and Model Privacy Form apply to any information we collect from you prior to becoming a client, even if you choose not to become a client, and also apply to information of former clients. As set forth in those privacy notices, we do not disclose nonpublic personal information about you to anyone, except as outlined in the Privacy Notice or Model Privacy Form or as permitted by law, without your express authorization.

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A copy of BOS's Code of Ethics, Privacy Notice and/or Model Privacy Form shall be provided to you or prospective clients upon request by contacting Eileen Gamboa, Compliance Manager at 415-781-8535.

## **Item 12 – Brokerage Practices**

As noted earlier, BOS may recommend to you that you establish financial advisor brokerage accounts with the institutional brokerage businesses of Charles Schwab & Co., Inc. ("Schwab") or Fidelity Investments ("Fidelity"). These accounts allow you to buy and sell "no-load" mutual funds and other securities at low commission rates. Although BOS may recommend that you establish accounts at Schwab or Fidelity, it is your decision to custody assets with Schwab or Fidelity, or a custodian of your choice. BOS is independently operated and is not affiliated with Schwab or Fidelity. Neither BOS, nor any of its Principals, share in any of the commissions or fees charged by a custodian.

In addition to brokerage services, Schwab and Fidelity provide you with valuable custodial, recordkeeping and research services. BOS, on a periodic and systematic basis, reviews its brokerage relationship with Schwab and Fidelity (and any other brokers utilized to execute your trades) to ensure that it is fulfilling its fiduciary duty to seek best execution on your transactions.

BOS does not actively trade in individual securities, but at times will sell securities on your behalf in order to comply with your Investment Policy Statement. Since these transactions are executed at different times for different clients, BOS generally does not bunch these transactions.

Other than establishing financial brokerage accounts with an independent custodian, BOS does not recommend specific brokers to you. However, depending upon your needs, BOS may recommend a particular broker such as a full-service broker or a discount broker. BOS may provide the names of several companies in each category for you to investigate upon your request.

If BOS recommends a broker or custodian to you, it considers the following factors, among others:

- Custody services provided;

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- Record keeping services provided;
- Order flow sent to the broker-dealers;
- Timeliness of execution;
- Timeliness and accuracy of trade confirmations;
- Liquidity of the securities traded;
- Research services provided;
- Client direction;
- Execution facilitation services provided;
- Infrequency and correction of trading errors;
- Ability to access a variety of market venues;
- Expertise as it relates to specific securities
- Intermediary compensation (commissions and spreads);
- Financial condition; and
- Business reputation.

If you choose to direct your brokerage, you should be aware of the following limitations placed upon BOS:

- BOS will not seek better execution services or prices from other broker-dealers or be able to aggregate your transactions, for execution through other brokers or dealers with orders for other accounts advised or managed by BOS; and
- BOS may not obtain best execution on your behalf, and you may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

If you request a specific broker/custodian relationship, BOS may require the execution of a Directed Brokerage agreement.

See Item 14 for a description of the benefits BOS may receive from Schwab and Fidelity.

### **Item 13 – Review of Accounts**

Reviews of your accounts are conducted by BOS in the following ways:

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(1) Monthly reviews of market allocations.

BOS produces a monthly report showing the major market allocations for your consolidated accounts, in percentages. Those percentage allocations are reviewed to determine if they are consistent with the portfolio's goals as set forth in the Investment Policy Statement. Any major variances from the portfolio's goals or policies may trigger a more extensive review of the portfolio and could lead to recommended changes in the portfolio's market allocations.

(2) On-going reviews of investments.

The investment committee of the firm (consisting of Rich Golinski, Ed Osborn, and Colleen Supran) monitors the performance of securities used in your portfolios on a weekly basis. In addition, these investments are monitored on an ongoing basis to determine whether they continue to meet the firm's criterion for inclusion or retention in your portfolios. Securities with unusual performance or other changes may trigger more detailed reviews and changes may be made as appropriate.

(3) Six month reviews of your accounts.

Approximately every six months or as deemed necessary, your portfolios are reviewed in detail. This review may result in recommended changes to market allocations or individual holdings.

(4) Annual reviews of your accounts.

Approximately every twelve months, your portfolios are subject to a formal annual review, undertaken by your client service team. These reviews are generally presented to you in annual meetings.

(5) Shift in securities markets or personal circumstances.

In addition to the regularly scheduled reviews outlined above, reviews of accounts may be triggered by a major shift in securities markets or by a change in your circumstances, such as a career change, home purchase, birth of a child or other events. BOS depends upon you to notify us of any such developments.

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All of your accounts are managed pursuant to a team approach generally involving at least two investment professionals. The firm has eight client-facing Principals and currently employs seven portfolio managers. Nineteen investment professionals share investment management responsibility. The firm has an approximate ratio of one professional to forty-four clients.

BOS provides quarterly reports which include:

- (1) A discussion of the recent performance of major securities markets;
- (2) Current market values for all accounts;
- (3) A percentage breakdown of the portfolio by major markets and security types; and
- (4) A calculation of year-to-date returns on investment.

Your annual performance review includes:

- (1) Current market values for all accounts;
- (2) A percentage breakdown of the portfolio by major markets and security types;
- (3) A calculation of the overall return on investment for the full prior calendar year and the current year to date;
- (4) A breakdown of return on investment for each market segment of the portfolio; and
- (5) Market index performance data for comparison.

Periodic communications may also include recommendations for new investments or changes in existing investments.

In addition to the above reports, you receive a monthly report showing account values and activity in each account independently from your custodian.

BOS will also periodically prepare financial plan updates as part of its financial planning services.

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

BOS does not currently maintain any formal soft dollar arrangements. However, Schwab and Fidelity provide BOS with proprietary research. BOS has determined that it would obtain this

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service regardless of the amount of commissions it generates at Schwab and Fidelity throughout the year. Therefore, BOS is not “paying-up” for proprietary research.

As noted above, BOS may recommend that you establish brokerage accounts with Schwab or Fidelity to maintain custody of your assets and to effect trades for your accounts. BOS has no affiliation with Schwab or Fidelity and receives no remuneration from Schwab or Fidelity, either directly or indirectly. Schwab and Fidelity may provide services of value to you and BOS; these are described in more detail below.

*Services That Generally Benefit You:* Schwab or Fidelity’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab or Fidelity include some to which you might not otherwise have access or that would require a significantly higher minimum initial investment.

*Services That May Not Directly Benefit You:* Schwab or Fidelity may make available to BOS other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts and include investment research that we may use to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab or Fidelity. In addition to investment research, Schwab or Fidelity may make available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Facilitates trade execution;
- Provides pricing and other market data;
- Facilitates payment of our fees from our clients’ accounts; and
- Assists with back-office functions, recordkeeping, and client reporting.

*Services That Generally Benefit Us:* Schwab or Fidelity may provide BOS with information and services intended to help BOS manage and further develop its business enterprise. These services may include:

- Educational conferences and events;

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- Consulting on various topics such as information technology, strategic, legal, and business needs;
- Presentations, consulting, publications and conferences on various topics such as regulatory compliance, practice management, human capital, and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

In addition, Schwab or Fidelity may make available or arrange services related to client appreciation events, presentations, and BOS business development efforts. Schwab or Fidelity may discount or waive fees it would otherwise charge for some of these services or may pay all or a part of the fees of a third party providing these services to BOS. Schwab or Fidelity may also provide other benefits such as education events and/or occasional business entertainment of BOS personnel.

The availability to BOS of the foregoing products and services is not contingent upon BOS committing to Schwab or Fidelity any specific amount of business (assets in custody or trading).

Your accounts maintained in custody at Schwab or Fidelity will not be charged separately for custody. Rather, Schwab and Fidelity will receive compensation from you in the form of commissions or other transaction-related compensation on securities trades executed through them. We will generally trade for your account with Schwab or Fidelity, but there may be situations in which we trade with other brokers in order to facilitate a specific transaction(s); in these instances, Schwab and Fidelity will also receive a fee. All trading decisions are subject to BOS's duty to seek best execution.

BOS has entered into a relationship with Lannie Medina ("Medina") to assist with BOS's business development efforts. Medina is independent of and unaffiliated with BOS. Medina does not supervise BOS and has no responsibility for BOS's management of your portfolios or BOS's other advice or services. Under the agreement between BOS and Medina, BOS pays Medina fees when prospective clients she refers to BOS become clients. As compensation, BOS pays Medina a percentage of related revenues for up to two years.



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BOS may recommend that you invest in the investment products offered by Dimensional Fund Advisors (“DFA”). In the past, DFA paid a third party to provide BOS with a consulting service intended to help BOS manage and further develop its business enterprise. DFA currently facilitates a periodic industry best practices discussion meeting in which BOS participates. DFA’s payment for these services is not contingent upon BOS recommending any DFA investment products.

### **Item 15 – Custody**

Investments made by you through BOS will be registered in your name and placed in an institutional brokerage account(s) with an independent, qualified custodian such as Schwab or Fidelity, both of which are national broker/dealers and members of the SIPC and the NYSE. "Qualified custodian" is generally defined to include banks, certain broker-dealers, futures commission merchants, and certain foreign financial institutions. You will have the opportunity to agree to the selection of the custodian. We will have the power and authority on the account(s) to execute trades, deduct our fees, and receive duplicate confirmations and statements. We will not have authority to order any dispersal of funds from your account(s) to third parties unless expressly approved by you and we will not serve as the qualified custodian to your account(s). However, we may be deemed to have custody of your assets solely due to our ability to deduct fees from your account(s) automatically. You will receive monthly or quarterly brokerage statements directly from the custodian listing all transactions during the period and the amounts of each security and all funds in the account(s) at the end of the period. You should carefully review these statements for accuracy and should compare quarter-end statements received from your custodians to those received from BOS.

BOS may also be deemed to have custody of your specific accounts due to the common ownership of BOS and Boston Private Bank & Trust Company or our access to logins and passwords associated with a small number of retirement accounts. In instances such as these, we are subject to an internal control reporting requirement and a surprise exam on these specific accounts as specified by the Securities and Exchange Commission’s Amended Custody Rule. We engaged Seiler LLP and CF & Co. LLP as our auditors to conduct surprise exams so that we would comply with this rule.



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Orders for the execution of transactions are typically placed directly with the qualified custodian for your account(s) and, in accordance with the duty to seek best execution, we periodically evaluate the quality and cost of services received from all broker-dealers with whom your orders are executed. Although Schwab and Fidelity offer very low, competitive institutional commission rates, you may choose to direct your brokerage to a specific broker of your choice by completing a directed brokerage form that we will supply to you upon your request.

The qualified custodian may charge commissions on the purchase and sale of stocks and bonds and transaction fees on the purchase and sale of non-commissioned (no-load) mutual funds. These fees are in addition to the fees charged by BOS and neither our firm nor any of its Principals share in any fees charged by the custodian.

## **Item 16 – Investment Discretion**

**Discretionary Accounts:** Your account(s) may be established as discretionary meaning that BOS may initiate trades without prior authorization by you. If needed, this may include trades to raise cash for the payment of quarterly management fees. You will receive monthly brokerage statements listing all transactions and will also receive quarterly statements from us reviewing account performance. Custodial accounts with your check writing capability will be established as margin accounts. In the event of an overdraft in these accounts, a margin loan will be triggered and interest charges will be incurred on the loan balance.

**Non-Discretionary Accounts:** Your account(s) may also be established as non-discretionary. This means that before we execute any transaction in your account, we will first notify you of the proposed transaction. We shall make investment recommendations to you, and you will make all investment decisions with respect to the investment of the account. You must authorize a transaction before we will execute.

Your client service team will provide all the necessary forms for you to sign so as to grant BOS with Limited Power of Attorney (“LPOA”) authority for discretionary and non-discretionary accounts. This LPOA grants BOS only trading, limited funds and fee disbursement authority.

Investment guidelines and restrictions must be provided to BOS in writing.

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### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, BOS does not exercise, vote, or act upon proxies or reorganizations/voluntary corporate actions such as tender offers on your behalf concerning securities held in your accounts. Your accounts are established so that all materials related to proxy voting and reorganizations/corporate actions are sent directly to you. Upon request, however, you may contact us with questions about a particular solicitation.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BOS's financial condition. BOS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to you, and has never been the subject of a bankruptcy proceeding.