

# **The Independent Managed Assets Program D (“IMAPD”) Wrap-Fee Disclosure Brochure**



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*Form ADV, Part 2A – Appendix 1*

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This Wrap-Fee Program Disclosure Brochure provides information about the qualifications and business practices of Independent Portfolio Consultants, Inc. and its Managed Assets Program that you should consider before becoming a client. If you have any questions about the contents of this brochure, please contact **Independent Portfolio Consultants, Inc. (“IPC”)** at the address listed above or call us at (800) 346-4570 or send us an e-mail at [customerservice@ipcanswers.com](mailto:customerservice@ipcanswers.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.

As an SEC Registered Investment Advisor, additional information is also available about IPC on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). However, registration does not imply a certain level of skill or training.

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## 2. Summary of Material Changes

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The following are summaries of material changes to the IMAPD Form ADV Part 2A-Appendix 1 Disclosure Brochure that have occurred since the March, 2011 version that was previously provided.

### **ITEM 4 – Services, Fees and Compensation**

IPC added a third investment option to One Account Solutions Services called the Model Manager Portfolio. The Model Manager Portfolio was designed to provide diversification for accounts up to \$1,500,000 in assets with a minimum of two investment strategies. The model portfolios consist of allocating various manager strategies to create one account. Thus, each of the manager's strategies selected will represent a portion of the account. The strategies are provided by Investment Managers who act as Sub-Advisers to IPC.

### **ITEM 6 – Portfolio Manager Selection and Evaluation**

In this section, under Investment Strategies and Risk of Loss, additional information was added to describe other potential risks inherent in the investment of securities that make up various investment strategies.

### **ITEM 9 – Additional Information**

In this section, under Additional Compensation to IPC and its Affiliates, some wording was modified so that you are aware Investment Managers that participate in the conferences and training sessions, as described in that section, may have an advantage over those Investment Managers that do not participate.

This Brochure or any other IPC Brochure may be downloaded from the SEC Website as indicated above or you may contact IPC at 561-912-1040 or [customerservice@ipcanswers.com](mailto:customerservice@ipcanswers.com) to obtain a Brochure.

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## 3. TABLE OF CONTENTS

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<b>1. IMAPD COVER PAGE .....</b>	<b>1</b>
<b>2. SUMMARY OF MATERIAL CHANGES.....</b>	<b>2</b>
<b>3. TABLE OF CONTENTS .....</b>	<b>3</b>
<b>4. SERVICES, FEES AND COMPENSATION.....</b>	<b>5</b>
INDEPENDENT MANAGED ASSETS PROGRAM D SERVICES.....	5
<i>Multiple Strategy Portfolio Services .....</i>	<i>6</i>
Investment Philosophy and Style .....	6
<i>MSP-One Account Solution Services for Client Relationships Under \$1,500,000 .....</i>	<i>7</i>
Objective of MSP-One Account Solution .....	7
<i>Emerging Manager Multiple Strategy Portfolio Services.....</i>	<i>9</i>
Emerging Manager MSP Investment Philosophy .....	9
<i>Tax-Transition Management Portfolio Services .....</i>	<i>10</i>
Tax-Transition Management Investment Philosophy.....	10
INDEPENDENT MANAGED ASSETS PROGRAM D FEES .....	11
<i>IMAPD Annual Fee Schedules.....</i>	<i>12</i>
Preferred Equity Accounts (over \$1,000,000).....	12
Equity Opportunistic Accounts .....	13
Equity Tax-Transition Management Accounts .....	13
Preferred Balanced Accounts (over \$1,000,000).....	13
Fixed Income Accounts .....	13
Preferred Fixed Income Accounts (over \$1,000,000) .....	14
Fixed Income Plus Accounts.....	14
Multiple Strategy Portfolio Accounts .....	14
Multiple Strategy Portfolio-One Account Solution.....	15
Emerging Manager Multiple Strategy Portfolio Accounts .....	15
<i>Additional Client Fees .....</i>	<i>15</i>
<i>Evaluating the Cost of IPC's Wrap-Fee Programs.....</i>	<i>16</i>
<b>5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS.....</b>	<b>16</b>
MINIMUM ACCOUNT SIZE; ACCOUNT TERMINATION .....	16
TYPES OF CLIENTS .....	18
<b>6. PORTFOLIO MANAGER SELECTION AND EVALUATION .....</b>	<b>18</b>
INVESTMENT MANAGER DUE DILIGENCE .....	18
<i>Selection of Investment Managers Available in the Program.....</i>	<i>18</i>
<i>Ongoing Evaluation of Investment Managers in the Program.....</i>	<i>19</i>
INVESTMENT MANAGER SELECTION .....	20
<i>Selection of Investment Managers for Client Portfolios .....</i>	<i>20</i>
<i>Ongoing Evaluation of Investment Managers for Client Portfolios.....</i>	<i>21</i>
BLUE SHORES CAPITAL.....	21
<i>Blue Shores Capital Advisory Business .....</i>	<i>22</i>
Domestic Strategy.....	23
Global Strategy.....	23
Hedging and Exchange-Traded Funds .....	23
Balanced Strategy .....	24
Fixed Income Strategy.....	24
PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT.....	24
BSC METHODS OF ANALYSIS .....	25
INVESTMENT STRATEGIES AND RISK OF LOSS.....	26
VOTING CLIENT SECURITIES (PROXY VOTING POLICY SUMMARY) .....	30
<b>7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS .....</b>	<b>31</b>

INVESTMENT POLICIES AND INVESTMENT MANAGER COMMUNICATIONS.....	31
<b>8. CLIENT CONTACT WITH PORTFOLIO MANAGERS.....</b>	<b>32</b>
<b>9. ADDITIONAL INFORMATION.....</b>	<b>33</b>
DISCIPLINARY INFORMATION.....	33
OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS.....	33
CODE OF ETHICS.....	33
PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING.....	33
<i>Brokerage Executions</i> .....	34
Best Execution.....	34
Brokerage Transactions.....	34
IPC Trade Aggregation and Allocation.....	35
Error Correction Practices.....	36
REVIEW OF CLIENT ACCOUNTS.....	36
<i>Client Reporting</i> .....	37
<i>Electronic Access of Communications</i> .....	38
CLIENT REFERRALS & OTHER COMPENSATION.....	38
<i>Referral Arrangements</i> .....	38
<i>Additional Compensation to IPC and its Affiliates</i> .....	39
INVESTMENT DISCRETION.....	40
CONFLICTS OF INTEREST.....	41
FINANCIAL INFORMATION.....	41

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## **4. Services, Fees and Compensation**

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Independent Portfolio Consultants Inc. (“IPC”) specializes in providing investment advisory, consulting and investment management services through its managed accounts programs to individual and institutional clients, including corporate pension, profit sharing plans, municipal plans, non-profit/charitable organizations and Wealth Management Companies. These Wrap-Fee Programs provide Clients with investment advisory, consulting and execution services for a single "wrap" fee, typically a percentage of assets.

IPC is independent and employee owned, with corporate headquarters in Boca Raton, Florida, and a history that dates back to 1987. The Firm has achieved a solid history of supporting wrap-fee programs by employing a highly skilled group of experienced professionals, supported by an exceptional client service team. Individuals associated with IPC that provide these services are licensed, qualified and authorized to provide advisory services as investment adviser representatives. Throughout this Brochure, these individuals will be referred to as “IPC Consultants.”

The Independent Managed Assets Program D and its services are described below. However, for information on other IPC wrap-fee programs, please contact IPC as noted in the information provided on the front cover of this Brochure.

### **INDEPENDENT MANAGED ASSETS PROGRAM D SERVICES**

Independent Portfolio Consultants, Inc. offers the Independent Managed Assets Program D (“Program”) that is designed for Clients seeking personalized portfolio management services. And Clients who desire assistance in determining appropriate investment objectives, taking into account their overall financial circumstances, including objectives, risk tolerance and tax status. Clients may also desire assistance in choosing an appropriate investment manager, monitoring the results of their investment account and making future investment management decisions, based both on account performance and upon changes in the Client’s overall financial circumstances. Independent Managed Assets Program D is an advisory wrap-fee program that provides this complete range of services in a customized portfolio.

IPC Consultants, working with the Client, begin by reviewing each Client’s overall financial circumstances and risk tolerances and identifying the Client’s investment objectives. Then, they assist the Client in the selection of one or more appropriate investment management firms (“Investment Managers”) from among those firms which have been accepted by IPC into the Program. On an ongoing basis, IPC assists in monitoring the Client’s portfolio performance. The Program’s primary range of services that IPC provides include:

- Due diligence on Investment Managers offered
- Development of the Client’s investment policy
- Consultation with the Client on selection of one or more Investment Managers to provide professional portfolio management

- Investment Manager monitoring and review
- Review of Client accounts
- Client reporting
- Ongoing Consulting and Advisory Services
- Brokerage Services through an Agreement with either Managed Account Services, LLC (“MAS”) or Pershing Advisor Solutions LLC (“PAS”)
- Client has on-going access and communication with their portfolio manager(s) selected

The Program’s full range of customized services described in the section above may also be referred to as the “Primary Services” or “full-service” provided.

## **Multiple Strategy Portfolio Services**

### *Investment Philosophy and Style*

Multiple Strategy Portfolio (“MSP”) is an investment strategy that uses investment models that are able to provide for additional diversified management using various equity asset classes and strategies. A model is a master investment portfolio. Client portfolios are designed to look like and attempt to replicate the master investment portfolio. The model is generally an investment strategy to strives to emulate the master investment portfolio based on a client’s goals, risk tolerance and timeframe.

The IPC MSP Model portfolios help a Client achieve their personal investment objectives by using “asset allocation strategies,” which consider the historic rates of return of different asset classes over long periods of time. An asset class is a broad group of individual securities or investments that have similar characteristics, such as risk or market capitalizations.

These multiple diversified strategies are contained in a single custodial account, hence the name “Multiple Strategy Portfolio.” The primary purpose for investing into an MSP is to provide further diversification to the Client’s portfolio without significantly increasing the expected equity sector volatility in the process. Certain Clients participating in the Primary Services described above, who are able to meet minimum asset size standards, may choose to have a portion of their assets invested in an MSP account.

IPC uses model portfolios provided by other registered investment advisers (“Model Managers”) in managing the portfolio. The Model Managers will act as either a Sub-Adviser or Research Provider to IPC in the MSP investment styles and strategies. As Overlay Portfolio Manager, IPC has discretion over the MSP account. However, under certain circumstances and at the client’s request, IPC may also act as a manager in an MSP account without a Sub-Adviser relationship.

The philosophy of the MSP is to design and to allocate model portfolios based upon the specific investment strategies selected by the Client utilizing certain “specialty” asset

classes. For purposes of the MSP, specialty asset classes are generally identified as “small capitalization,” “mid capitalization,” “tactical asset allocation,” “international investment,” “global” and “real estate investment” strategies. IPC’s overlay management makes these specialty asset classes accessible to clients via model management for two reasons:

- (1) In terms of asset size, each specialty asset class portfolio makes up a significantly smaller percentage of the Client portfolio than the Primary Services portfolios described above. It would be difficult for a quality Investment Manager to provide a high level of customized service to these small portfolios, which generally makes these asset classes unavailable in the “full-service” version of the Program.
- (2) Broad diversification, a key element of specialty asset class portfolios, is typically delivered in a highly disciplined manner. Consequently, specialty asset class portfolios are, by their own design, less tax-sensitive and less customized. When it is time to sell a small cap stock with disappointing news or an international stock based in a country which just became politically unstable, the stock is sold. Investment decisions consistently override all other portfolio considerations, including tax-sensitivity.

Because IPC can offer specialty asset classes as part of an MSP account, the account enjoys the benefit of participating in these classes and the disadvantages listed above are minimized.

IPC selects the Model Manager Models for the MSP based upon their specialized management styles and strategies. The securities selected for the Client’s MSP are chosen by the Model Manager from that particular manager’s investment model or focus list (or by IPC based upon the Client’s Statement of Investment Policy if no Sub-Adviser or Research Provider relationship exists). Changes in a model portfolio are based upon the Model Manager’s Investment Policy, Research and/or Focus Committees’ decisions.

While both cash and securities may be used to establish MSP accounts, it is the intent of IPC that all securities so received be liquidated prior to, or simultaneous with, the purchase of securities for the account.

## **MSP-One Account Solution Services for Client Relationships Under \$1,500,000**

### *Objective of MSP-One Account Solution*

The MSP-One Account Solution (“MSP-OAS”) is designed to provide managed account services for those Clients who:

- (1) are seeking a broader level of portfolio diversification than otherwise available for the level of financial assets they are seeking to place under professional management, and
- (2) are seeking to have all their assets, by title, managed in one account.

This type of an account and the services provided are sometimes better suited for Clients with less than \$1,500,000 of financial assets available for investments, depending upon the Client's goals and objectives.

In the MSP-OAS, IPC provides three separate and distinct Model Manager solutions or options for managing Client accounts.

- The first solution is an all capitalization, individual common stock portfolio investment strategy provided by *Blue Shores Capital*. *Blue Shores Capital* ("BSC") is a proprietary money management division of IPC.
- The second solution is an actively managed all capitalization, core equity Exchange-Traded Fund ("ETF") investment strategy. The core equity ETF strategy is a model supplied by a non-affiliated investment advisor, who will act as the Sub-Adviser to IPC. IPC will act as the Overlay Portfolio Manager for the core equity ETF investment strategy.
- The third solution is a Model Manager Portfolio designed to provide diversification for accounts up to \$1,500,000 in assets. The model portfolios, based upon managers participating in the asset allocation models, consist of allocating various manager strategies to create one account. Thus, each of the managers strategies selected will represent a portion of the account. The strategies are provided by Investment Managers who act as Sub-Advisers to IPC. This third solution requires a minimum of two investment strategies and a minimum account size of \$500,000.

The risk associated with this Model Manager Portfolio strategy allocation, depending upon the size of the account, is that a balanced account with only two strategies may be limited to one large capitalization equity investment strategy. Thus, while the fixed income sector is broadly diversified through the Sub-Adviser's use of Exchange Traded Funds (ETFs) for fixed income, the equity sector will be limited to one large capitalization growth, value or core equity strategy. Consequently, such an account with two strategies may not provide the client with the equity diversification that other investment products would provide, including various combinations of equity mutual funds. However, a \$500,000 all equity account will provide the Client with the diversification of two different equity strategies within one account.

When appropriate, and requested by the Client, all three One Account Solutions may use fixed income ETFs. Fixed income ETFs can be used to create a balanced account



approach, whereby the account has a combination of both equity and fixed income securities. The Investment Executive, generally working in conjunction with IPC Consultants, will assist each Client in the selection of the investment strategy that is appropriate for the Client's investment objectives.

## **Emerging Manager Multiple Strategy Portfolio Services**

### *Emerging Manager MSP Investment Philosophy*

The Emerging Manager MSP is specifically designed to provide managed account services to those clients who seek additional equity diversification by utilizing one or more emerging manager styles or strategies in an MSP account. The Emerging Manager MSP is an investment strategy that uses investment models that are able to provide for additional diversified management using various asset classes and strategies provided by investment firms considered to be "Emerging Managers" (described below). For clarification, an investment model is a master investment portfolio. Client portfolios are designed to look like and attempt to replicate the master investment portfolio of the Emerging Manager's style or strategy. However, there may be other considerations that may impact the investment process and performance. Such other consideration could include: (1) the size of the Client's account(s); (2) the presence or absence of investment restrictions; (3) the timing of trades and (4) the presence of deposits and withdrawals.

Emerging Managers are defined differently by various entities and those definitions change over time. Most definitions revolve around assets under management, performance history, employee ownership and minority ownership. The review of Emerging Managers is generally dynamic and complex and simply utilizing a quantitative data base as a selection method may not be appropriate. For a number of reasons, qualitative insight plays a prominent role, particularly at the start.

Emerging investment firms tend to be companies where investment performance takes precedence over asset-gathering, where niche or innovative investment strategies are designed to capture unrecognized market inefficiencies. As well, people are highly motivated to succeed through ownership structures representing financial incentives as well as the psychological incentives of working within an entrepreneurial culture. Emerging investment firms frequently are still emerging precisely because they emphasize performance over asset-gathering – in fact, the very reasons why these companies offer significant potential often are the same reasons why they have not yet been discovered.

There are three main reasons that potential clients may choose to consider Emerging Managers: (1) Empirical data suggests that small firms outperform their larger counterparts; (2) Emerging Managers tend to have a hunger and drive to succeed, often to the benefit of their investors; (3) The nimbleness of Emerging Managers allows them to take advantage of market opportunities. However, there is no guarantee that by engaging an Emerging Manager that any of these reasons will actually be realized in the performance results of a client's portfolio.

These Emerging Manager multiple diversified strategies are contained in a single custodial account, hence the name “Multiple Strategy Portfolio.” The primary purpose for adding an MSP is to provide further diversification to the Client’s portfolio.

IPC uses model portfolios provided by Emerging Managers who are registered investment advisers. However, CbF Advisors, LLC (“CbFA”) will act as Sub-Advisers to IPC in the Emerging Manager MSP investment styles and strategies. IPC has entered into a strategic alliance with CbFA. CbFA will utilize the services of Clearbrook Investment Consulting (“CIC”), a related company and a Securities and Exchange Commission registered investment advisor, for Emerging Manager research and due diligence.

CIC has a 25-year history as an institutional consultant with over 30 billion dollars of assets under advisement. CIC has a dedicated Emerging Manager research effort. As a related company, CbFA has full and timely access to the CIC Emerging Manager research and due diligence data base. IPC, in conjunction with CbFA, will use this proprietary information to select appropriate Emerging Managers for IPC’s Emerging Manager MSP. CbFA will negotiate the Emerging Manager sub-advisory contracts and arrange for the Emerging Manager portfolio models to be delivered to IPC. As Overlay Portfolio Manager, IPC has discretion over the Emerging Manager MSP account(s).

While both cash and securities may be used to establish an MSP accounts, it is the intent of IPC that all securities so received be liquidated prior to, or simultaneous with, the purchase of securities for the account.

## **Tax-Transition Management Portfolio Services**

### *Tax-Transition Management Investment Philosophy*

Tax-Transition Management (“TTMP”) is an investment management strategy designed to provide tax-efficiencies for Clients who seek to minimize their capital gains when changing investment strategies or advisors. The strategy’s objective is to transition Clients’ portfolios from significant, low-cost basis, or concentrated common stock positions to pre-determined, targeted, diversified portfolios of common stocks in a highly tax-sensitive and efficient manner. The speed of the transition is dependent upon the Client’s annual capital gains budget. As portions of the low-cost basis stock positions are sold, the proceeds are systematically reinvested in the common stock positions as identified in the targeted portfolio.

IPC assists the Client in developing a Statement of Investment Policy and an asset allocation guideline, while the Client sets their capital gains budget for the transition. IPC provides various investment styles using other registered investment advisers who act as Sub-Advisers to IPC. IPC assists the Client to customize their targeted portfolio based upon the Client’s own risk tolerances and objectives.

IPC employs as a Sub-Adviser an Overlay Tax-Transition Portfolio Manager who monitors and coordinates the trading done within each of the investment styles to ensure that decisions are being made in the most tax-efficient manner. The Overlay Tax-Transition Portfolio Manager also monitors and estimates the tracking error between a Client's current portfolio and the customized targeted portfolio. Once the concentrated position is completely liquidated, the Client's current portfolio will match the selected Sub-Advisers' investment styles within the targeted portfolio.

IPC selects the Sub-Advisers for this product based upon their specialized management styles and strategies. The securities selected for the Client's Tax-Transition Management Portfolio are chosen by the Sub-Adviser from that particular manager's investment model or focus list. All changes in a Sub-Advisers portfolio are based upon the Sub-Adviser's Investment Policy, Research and/or Focus Committees' decisions.

## **INDEPENDENT MANAGED ASSETS PROGRAM D FEES**

Independent Managed Assets Program D is an advisory wrap-fee program offered on a discretionary basis. The fee schedule applicable to an account is determined based on the type and size of the account as set out below. Except as otherwise noted, fees are calculated per Investment Manager, for each account, based upon an overall Client relationship (i.e., total amount of assets and accounts to be managed).

All fees are negotiable based upon a number of factors including, but not limited to, the Client's objective, family or other related accounts, amount of assets under management, the anticipated level of transactions, the number of managers and the investment strategy(ies) employed. The fees are billed either monthly or quarterly in arrears, based upon the market value of the assets under management (without reduction for any margin debit) including accrued interest, at the end of each calendar month or quarter. Fees will be automatically debited from the account in accordance with the Client authorization as described in the Letter Agreement with IPC and/or the Investment Advisory Agreements for the MSP, MSP-OAS, Emerging Manager MSP or Tax-Transition Management Portfolio services.

The fees include the costs associated with consulting and advisory research and including:

- Developing a Client's Statement of Investment Policy
- Assisting the Client in the selection of Investment Managers, Styles and Strategies
- Professional investment management services
- Monitoring of Investment Managers, performance, reporting and review services
- Ongoing Consulting and advisory services
- Due diligence (except as noted below in Section 6, entitled "Portfolio Manager Selection and Evaluation" in the Blue Shores Capital Subsection)

The fees also include brokerage commissions on the purchases and sale of securities if Managed Account Services, LLC and/or its clearing entity, First Clearing, LLC ("MAS") or Pershing Advisor Solutions LLC and/or its clearing entity, Pershing, LLC ("PAS") acts as the broker dealer and custody charges if MAS or PAS and their agents are selected as the custodian.

Additional fees may be incurred for transactions executed by a broker dealer other than through MAS or PAS and their agents, or if a custodian other than MAS or PAS and their agents are used. Both Managed Account Services, LLC and Pershing Advisor Solutions LLC and their clearing agents are securities broker-dealers registered with the Financial Industry Regulatory Authority (“FINRA”) and are members of the Security Investors Protection Company (“SIPC”).

The initial fee covers the period from the inception date through the last day of the first billing month or quarter (depending on the Client’s billing cycle) and will be pro-rated accordingly. Thereafter, the Client will be charged on either a monthly or quarterly basis in arrears. The monthly or quarterly period fee will be calculated based on the market value of the account on the last business day of the billing cycle and will become due the first business day following either the month or quarter for which the fee is charged.

In the event an account does not maintain a sufficient cash or money market fund balance to cover IMAPD’s fee, the Client may deposit additional funds (subject to certain restrictions for IRA and qualified retirement plan accounts) within five days, or the broker-dealer may, at its discretion, sell securities held in the account sufficient to cover fees.

For Clients subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or other tax qualified accounts, the receipt of compensation and fees referred to in this Brochure are subject to the restrictions imposed by ERISA and any applicable exemption thereto.

The total fee paid by the Client includes fees paid to IPC, brokerage costs (if MAS or PAS acts as the broker-dealer), custodial costs (if MAS or PAS is the custodian). The fee also includes the investment management services provided by the Investment Manager, Sub-Adviser, Model Manager or Emerging Manager based upon the fee schedule selected. Applicable fee schedules are as follows:

## IMAPD Annual Fee Schedules

### *Preferred Equity Accounts (over \$1,000,000)*

	<u>Market Value</u> <u>of Account</u>		<u>Client Fee</u>		<u>IPC</u>		<u>Investment</u> <u>Manager</u>	
First	\$	1,000,000	<b>1.750</b>	%	1.250	%	0.500	%
Next	\$	1,000,000	<b>1.650</b>	%	1.150	%	0.500	%
Next	\$	3,000,000	<b>1.500</b>	%	1.100	%	0.400	%
Next	\$	5,000,000	<b>1.250</b>	%	0.850	%	0.400	%
Next	\$	10,000,000	<b>1.000</b>	%	0.700	%	0.300	%

### *Equity Opportunistic Accounts*

	<u>Market Value</u> <u>of Account</u>		<u>Client Fee</u>		<u>IPC</u>	<u>Investment</u> <u>Manager</u>	
First	\$	1,000,000	<b>1.750</b>	%	1.200 %	0.550	%
Next	\$	1,000,000	<b>1.650</b>	%	1.100 %	0.550	%
Next	\$	3,000,000	<b>1.500</b>	%	0.950 %	0.550	%
Over	\$	5,000,000	<b>Negotiable</b>				

### *Equity Tax-Transition Management Accounts*

	<u>Market Value</u> <u>of Account</u>		<u>Client Fee</u>	
First	\$	1,000,000	<b>1.950</b>	%
Next	\$	1,000,000	<b>1.850</b>	%
Next	\$	3,000,000	<b>1.700</b>	%
Next	\$	5,000,000	<b>1.450</b>	%
Next	\$	10,000,000	<b>1.200</b>	%

### *Preferred Balanced Accounts (over \$1,000,000)*

	<u>Market Value</u> <u>of Account</u>		<u>Client Fee</u>		<u>IPC</u>	<u>Investment</u> <u>Manager</u>	
First	\$	1,000,000	<b>1.750</b>	%	1.250 %	0.500	%
Next	\$	1,000,000	<b>1.650</b>	%	1.150 %	0.500	%
Next	\$	3,000,000	<b>1.500</b>	%	1.100 %	0.400	%
Next	\$	5,000,000	<b>1.250</b>	%	0.850 %	0.400	%
Next	\$	10,000,000	<b>1.000</b>	%	0.700 %	0.300	%

### *Fixed Income Accounts*

	<u>Market Value</u> <u>of Account</u>		<u>Client Fee</u>		<u>IPC.</u>	<u>Investment</u> <u>Manager</u>	
First	\$	1,000,000	<b>1.250</b>	%	0.900 %	0.350	%
Next	\$	4,000,000	<b>1.000</b>	%	0.700 %	0.300	%
Next	\$	5,000,000	<b>0.750</b>	%	0.500 %	0.250	%
Next	\$	10,000,000	<b>0.625</b>	%	0.375 %	0.250	%

### *Preferred Fixed Income Accounts (over \$1,000,000)*

	<u>Market Value</u> <u>of Account</u>	<u>Client Fee</u>	<u>IPC</u>	<u>Investment</u> <u>Manager</u>
First	\$ 1,000,000	<b>1.050</b> %	0.700 %	0.350 %
Next	\$ 2,000,000	<b>1.000</b> %	0.700 %	0.300 %
Next	\$ 2,000,000	<b>0.900</b> %	0.600 %	0.300 %
Next	\$ 5,000,000	<b>0.800</b> %	0.550 %	0.250 %
Next	\$ 10,000,000	<b>0.650</b> %	0.400 %	0.250 %

### *Fixed Income Plus Accounts*

Fixed Income Plus Accounts are designed for Clients who wish to invest most of their assets in fixed income investments, in conjunction with a smaller investment in equity securities. (The account is designed to contain not more than a 20% equity allocation at cost; however, the equity portion of the account may increase to approximately 30% of the account as a result of market appreciation.) The total fee for a Fixed Income Plus Account is determined by applying the Equity Account Fee Schedule to the equity portion and the Fixed Income Fee Schedule to the fixed income and cash equivalent portion.

### *Multiple Strategy Portfolio Accounts*

Clients will pay an annual fixed fee of 1% of assets under management in an MSP account plus \$2,500 per individual investment strategy selected. However, the emerging market investment strategy fee can be waived if it is part of an international investment strategy allocation. Generally, fees are not negotiable for the MSP and individual investment strategies. Exceptions are made for the Exchange-Traded Funds managed portfolios and portfolios managed by IPC without a Sub-Adviser arrangement. While fees are generally not negotiable within the MSP, IPC may negotiate such fees on a case-by-case basis.

Fees with respect to the portion of a Client's account not invested in the Multiple Strategy Portfolio will be calculated as set out previously in this Brochure (see sections applicable to those assets). Assets invested in the Multiple Strategy Portfolio Accounts will **not** be considered in establishing fees applicable to those other assets. For example, a Client has \$1,500,000 of investable assets and allocates \$500,000 to an MSP account and \$1,000,000 to an all equity "full-service" account. The MSP fee schedule would apply to the \$500,000 and the Equity Preferred Accounts fee schedule above would apply to the \$1,000,000 account.

### *Multiple Strategy Portfolio-One Account Solution*

<u>Market Value Of Account</u>	<u>Client Fee</u>
First \$ 250,000	<b>2.250%</b>
Next \$ 250,000	<b>2.250%</b>
Next \$ 500,000	<b>1.750%</b>
Thereafter	<b>Negotiable</b>

While fees are generally not negotiable within the MSP-One Account Solution, IPC may negotiate such fees on a case by case basis.

### *Emerging Manager Multiple Strategy Portfolio Accounts*

<u>Market Value Of Account</u>	<u>Maximum Client Fee</u>
First \$1,000,000	<b>2.000%</b>
Next \$1,000,000	<b>1.750%</b>
Over \$2,000,000	<b>Negotiable</b>

### **Additional Client Fees**

The fee charged for participation in any IPC program, (“Program Fee”) listed in this Brochure (including the Multiple Strategy Portfolio, MSP-OAS, Emerging Manager MSP and Tax-Transition Management Portfolio services) is known as a “wrap-fee.” The Program Fee covers the cost of most services provided by IPC, Investment Managers, Sub-Advisers, Model Managers and Emerging Managers including fees for program operations, MAS or PAS custodial charges, and all brokerage commissions of MAS or PAS. The Program Fees do not include: (1) custodial fees for assets held outside MAS or PAS; (2) account maintenance or trustee fees charged for MAS (and their clearing agent First Clearing, LLC) or PAS (and their clearing agent Pershing, LLC) on qualified retirement plan, IRA, cash management or similar accounts; (3) transfer taxes; (4) dividend reinvestment costs; (5) odd-lot differentials; (6) foreign receives and delivers; (7) safekeeping fees or (8) any other charges imposed by law, the custodian or otherwise agreed to with regard to Client accounts. These fees will be charged to Client accounts in addition to the Program Fees.

As with most wrap-fees, the Program Fee does not cover the management, distribution and other fees and expenses incurred by mutual funds, money market funds, unit trusts, exchange-traded funds or closed-end funds held in a Client’s account. These fees are described in the prospectus of each respective investment product and are paid to the fund’s investment advisers and other service providers, but ultimately are borne by all shareholders.

The Program Fee does not cover margin debit balances with MAS or PAS, any other custodian fees, nor margin interest on such margin debit balances. Fees will be calculated on the total market value of the account without the reduction of any debit balance (which may



occur to the extent that margin is used). Trades in securities that customarily trade in “dealer markets,” such as fixed income securities, may be placed through broker-dealers other than MAS or PAS, and, accordingly, the net purchase or sale prices reflected on Client confirmations of such trades may reflect commissions or dealer “markups” or “markdowns” charged and “spreads” earned by such other broker-dealers. This is also true when Investment Managers select broker-dealers other than MAS or PAS for some, or all, of their trade executions.

IPC and the Client agree that MAS and PAS may withhold any tax to the extent required by law, and may remit such taxes to the appropriate governmental authority.

Additionally, the cash that is in the Client’s Account awaiting investment may be placed in money market funds with management expenses and distribution fees which are paid under distribution plans adopted by the funds pursuant to Rule 12b-1 under the Investment Company Act of 1940. To the extent consistent with ERISA, MAS or PAS may receive all or a portion of those distribution fees from the funds.

## **Evaluating the Cost of IPC’s Wrap-Fee Programs**

IPC is the sponsor of the Independent Managed Assets Program D (“IMAPD”), a wrap-fee program, and also provides investment advice as an Investment Manager for the MSP, MSP-OAS, Emerging Manager MSP and other products offered within IMAPD. In these situations, IPC is both the wrap-fee program sponsor and one of the Investment Managers. A separate investment management agreement is used when IPC acts as an Investment Manager in any of the wrap-fee programs.

In evaluating a wrap-fee arrangement to determine if the wrap-fee charged is more or less than the aggregate cost of such services if they were to be provided separately, a Client should recognize the brokerage transactions are made “net” of commissions (i.e., without commissions) and a portion of the wrap-fee is generally considered as being in lieu of commissions. Additionally, the Client should consider the level of activity (trading volume or frequency) in a Client account, the value of custodial and other brokerage services, the associated cost of trading, the advisory services and consulting services provided under this arrangement, including professional account management services.

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

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### **MINIMUM ACCOUNT SIZE; ACCOUNT TERMINATION**

Generally, the minimum dollar relationship size for each manager within IMAPD is \$1,000,000, with the exception of the MSP, MSP-OAS, Emerging Manager MSP and Tax-Transition Management Program. The maximum number of individual accounts permitted in a \$1,000,000 relationship is three. The minimum account size is \$250,000 within a relationship.



An MSP Account is available to Clients who have opened a Program Primary Services account with at least \$1,000,000 under management. In order to open an MSP account, a Client must have a minimum investment of \$500,000 for the MSP account. The MSP is offered to further diversify a Client's other Program investments and is not offered as a stand-alone service or product. IPC reserves the right to terminate a Client's account within the MSP, if that Client fails to maintain a Primary Services managed account within IMAPD.

The MSP minimum account size is \$500,000. However, within the MSP account, the average minimum investment per style or strategy is \$250,000. For example, a Client may have selected two investment styles within an MSP, one style with \$400,000 while the other style is invested with \$100,000, totaling \$500,000. The two investments meet the average minimum investment requirement of \$250,000.

The MSP-One Account Solution minimum account size is \$200,000 and the fee is generally based upon the size of the account and not the relationship. However, the One Account Solution – Model Manager Portfolio has a minimum account size of \$500,000 and an account average strategy allocation requirement of \$250,000.

The Emerging Manager MSP minimum account size is \$500,000. However, within the Emerging Manager MSP account the minimum investment per style or strategy is \$250,000. The maximum number of styles or strategies permitted within the Emerging Manager MSP is four (4).

Additionally, the Emerging Manager MSP is not a stand-alone product, but rather a diversifier to clients who have at least \$1,000,000 of current equity holdings, exclusive of equities within the Emerging Manager MSP. Current equity holdings considered may, or may not, be under IPC consultation and/or the introducing Investment Executive's direction.

The minimum account size for the Tax-Transition Management Portfolio is \$2,000,000.

The minimum and maximum constraints may be waived at IPC's discretion. Although IPC's general business practice is not to terminate accounts based on reduction in account value, IPC reserves the right to terminate an account that drops below the required minimum size.

Either IPC or the Client may terminate the management agreement(s) upon 30 days' prior written notice. In addition, the Client has the right to terminate the agreement(s) at no cost (excluding market fluctuations or possible ramifications in the event of a liquidation), upon written notice to IPC, any time within five business days after the effective date in which the Client signed the agreement(s). If participation in a wrap-fee program is terminated by either IPC or the Client, a pro-rata fee from the date of termination through the end of the previous billing period will be billed.

## **TYPES OF CLIENTS**

Clients include, but are not limited to, individuals, pension and profit sharing plans, trusts, estates, charitable or non-profit organizations, corporations, municipalities and Wealth Management Companies. Tax-qualified, pension and profit sharing plans or other retirement vehicles subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or the Internal Revenue Code of 1986, as amended are subject to special rules.

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

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### **INVESTMENT MANAGER DUE DILIGENCE**

#### **Selection of Investment Managers Available in the Program**

The Investment Managers available in the Program are chosen by IPC through a detailed assessment of the Investment Managers investment philosophy, style, methodology and technical procedures. The program uses Investment Managers with varying investment styles and geographic locations. The Investment Managers chosen for the Program generally possess or exhibit:

- Specifically stated goals
- Identifiable and consistent investment strategies
- A proven track record
- An appropriate level of assets under management
- Upon acceptance to IMAPD, claim compliance to the Global Investment Performance Standards\* (“GIPS®”) (except for MSP, MSP-OAS, Emerging Manager MSP and TTMP)

\*The Global Investment Performance Standards (“GIPS®”) are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients. The GIPS® standards are voluntary and are based on the fundamental principles of full disclosure and fair representation of investment performance results. Claiming compliance with the GIPS® standards demonstrates a firm-wide commitment to ethical best practices and that the firm employs strong internal control processes. The GIPS® Executive Committee promotes the adoption and implementation of GIPS®, believing that global standardization of investment performance reporting gives investors around the world the additional transparency they need to compare and evaluate investment managers.

Investment Managers who meet these criteria are subject to additional reviews. These reviews may include, but are not limited to, the development of a company profile, analysis of the organization and its procedures and an assessment of the firm's adherence with regard to some of the general requirements and disclosures of the Investment Advisers Act of 1940. An evaluation of the following may also be completed: (1) the company's compliance with industry standards; (2) operations; (3) marketing and Client support services; (4) growth characteristics and (5) regulatory/compliance history.

IPC's review of the Investment Manager's performance record is an important component of the due diligence process. IPC conducts performance reviews to determine (1) the methodology used in calculating performance, (2) the standards that are being applied and (3) the methods by which the performance composites that are used in the program are constructed. Generally, Investment Managers indicate that performance is presented in conformity with the Global Investment Performance Standards. However, not all Investment Managers calculate and report performance in a uniform and consistent basis. Not all of the Investment Managers receive a third party audit of their GIPS® Compliance. Inquiries are made by IPC into the methodology used in order to gain a comfortable understanding that the composite performance of the style for which IPC engaged the Investment Manager is calculated in a prudent manner and in compliance with applicable rules and regulations. While IPC reasonably believes such performance numbers are accurate, IPC does not independently verify nor attest to the stated performance of any Investment Manager.

Other resources that may be used to identify and monitor Investment Managers include the database services, Form ADV, other disclosure documents, detailed questionnaires completed by each Investment Manager and on-site visits to each Investment Manager.

Due diligence will also be conducted on the Model Managers except for Blue Shores *Capital*, a division of IPC. However, the MSP, MSP-One Account Solution and Tax-Transition management services may not include the due diligence specific to a performance composite as it relates to the management style. This may result, for example, as some Model Managers contract with various investment firms ("contracted firms") to provide the Model Managers model. However, the Model Manager may not have many individual clients of their own, if any, which is a requirement to create their own performance composite. Currently, per industry regulations, such Model Managers are not permitted to show other (contracted firm) clients as their clients.

IPC's due diligence effort with respect to the Emerging Managers is strictly confined to IPC performing due diligence on CIC's Emerging Manager due diligence process.

## **Ongoing Evaluation of Investment Managers in the Program**

Ongoing Investment Manager due diligence reviews are also a part of the Program services provided. The extent of the review is determined by, among other things, the length of time the Investment Manager has been in the Program and changes in Investment Manager's personnel or processes. Also, information is obtained from each Investment Manager concerning specific composite performance results for each quarter. In addition, periodic

visits are made to each of the management companies to review the firm and update information.

IPC may decide the Investment Manager is no longer be appropriate for the Program for various reasons; including, but not limited to: (1) deviation from its stated style and philosophy, (2) performance that varies significantly from its stated benchmark over a market cycle, (3) the loss of key firm personnel, (4) the development of material regulatory problems or compliance issues, or (5) failure to claim compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>), except as noted above for the MSP, MSP-OAS, Emerging Manager MSP and TTMP. In such cases, IPC may recommend that the Client select a different Investment Manager.

An Investment Manager will not be recommended for termination from the program solely for having short-term performance that is sub-par in relation to market performance if they have maintained their stated investment style and philosophy, even if such strategy is currently not popular.

## **INVESTMENT MANAGER SELECTION**

### **Selection of Investment Managers for Client Portfolios**

IPC Consultants assist each Client in the selection of one or more of the available Investment Managers and the appropriate styles/strategies that best meet the Client's investment objectives. Recommendations are based upon information gathered while developing an investment policy for the Client. Typically, the following are reviewed: the Client's investment objectives and goals, net worth, current income, future income needs, liquidity needs, risk tolerances, tax considerations, current investment structure and other specific needs if communicated by the Client. An assessment may be made based upon economic and market conditions in relation to the information reviewed above. A recommendation as to the Client's appropriate Statement of Investment Policy is developed from the assessment.

To assist in the selection of Investment Managers and Model Managers, IPC makes available to prospective clients and their Investment Executives Investment Manager Profiles and other information such as performance information. The investment descriptions, performance, and other information are based on data provided by or received from the Investment Managers and Model Managers. Additionally, IPC makes available investment profiles and performance information, if any, on the Emerging Managers participating in the Emerging Manager MSP. The investment descriptions, performance and other information are based on data received from CbFA, CIC and the Emerging Manager.

While IPC reasonably believes this information to be accurate, IPC does not independently verify or attest to any Investment Manager's, Model Manager's or Emerging Manager's performance. Additionally, IPC does require Investment Managers, but not the Model Managers or Emerging Managers participating in the MSP or the Emerging Manager MSP only, to present their performance data in conformity with the Global Investment

Performance Standards (GIPS®). Performance information may not be calculated on a uniform and consistent basis.

## **Ongoing Evaluation of Investment Managers for Client Portfolios**

Performance for each account is calculated and reported to the Client by IPC in conformance with industry standards that IPC believes are reasonable. Discrepancies between account performance and Investment Manager, Model Manager or Emerging Manager composite performance may occur as a result of an account's individual investment guidelines and/or restrictions. The performance of Client account(s) may deviate from the Investment Manager's, Model Manager's or Emerging Manager's composite performance for the accounts it manages in the same style because of the size of the Client's account(s), the presence or absence of investment restrictions, the timing of trades and the presence or absence of cash deposits and withdrawals.

IPC may believe the Investment Manager, Model Manager or Emerging Manager may no longer be appropriate for the Client for various reasons; including, but not limited to:

- the results based upon IPC's Ongoing Evaluation of Investment Managers (as described above in that section) or where the Investment Manager would be terminated or as recommended by CbFA for Emerging Manager MSP styles and strategies
- the Investment Manager's deviation from its stated style and philosophy within a Client's account
- Investment Manager continuously deviates from the investment mandate in the Client's Statement of Investment Policy, unless Client authorizes such changes
- performance that varies significantly from the Client's stated benchmark over a market cycle
- the development of material regulatory problems or compliance issues, or
- changes in the Client's circumstances

In such cases, IPC may recommend that the Client select a different Investment Manager.

If a Client believes the Investment Manager they have chosen is no longer meeting their investment needs and objectives, and decides to change Investment Managers, IPC's Ongoing Consulting Group will work the Client to establish an updated Statement of Investment Policy and recommend a new Investment Manager. However, for taxable accounts, Clients should be aware that a new Investment Manager might not accept all or any of the securities acquired by the former Investment Manager; therefore, liquidation of the portfolio may result in tax consequences for the Client.

## **BLUE SHORES CAPITAL**

IPC's Blue Shores *Capital* ("BSC") division is a model portfolio investment manager and offers investment model strategies in various combinations: (1) within the MSP-One Account Solution;

or (2) as part of a Client's overall strategic asset allocation whereby BSC incorporates a tactical element to its own strategic asset allocation strategy.

Blue Shores *Capital* is provided as one of the investment management strategies offered within the MSP-One Account Solution ("MSP-OAS") which is designed to provide managed account services for those Clients who: (1) are seeking a broader level of portfolio diversification than otherwise available for the level of financial assets they are seeking to place under professional management, and (2) are seeking to have all their assets, by title, managed in one account. Using a strategic asset allocation, BSC attempts to create an asset mix that will provide the optimal balance between expected risk and return for a long-term investment horizon. This type of an account and the services provided are sometimes better suited for Clients with less than \$1,500,000 of financial assets available for investments, depending upon the Client's goals and objectives.

Blue Shores *Capital* may also be used as part of a Client's overall asset allocation, which represents only a portion of a client's total investment assets. A Client would choose BSC, as well as other Investment Managers, to create the Client's investment strategy. However, IPC and/or Blue Shores *Capital* may, or may not, have access to or knowledge of the client's other investment assets.

While senior members of IPC's staff regularly monitor Blue Shores *Capital*'s investment processes and performance, Blue Shores *Capital* does not undergo the same due diligence and ongoing monitoring that third party managers undergo, and may not meet the same criteria for inclusion in the Program that third party managers must meet. In addition, when a Client selects Blue Shores *Capital* as a Model Manager, IPC indirectly benefits from this selection because a greater amount of the total Program fee will be paid to IPC than if the Client selected a third party manager. Accordingly, IPC has a potential conflict of interest in including its Blue Shores *Capital* division in the MSP-One Account Solution and recommending Blue Shores *Capital* to Clients. However, IPC offers another manager selection in the MSP-One Account Solution.

Likewise, IPC has a potential conflict of interest in recommending Blue Shores *Capital* as part of a Client's overall investment plan. IPC will receive a greater amount of the total fee than if the Client selected a third party Investment Manager for the BSC portion of the overall plan.

## **Blue Shores Capital Advisory Business**

Blue Shores *Capital* ("BSC") provides discretionary investment advisory services to Clients using a multiple capitalization core equity investment strategy in either a U.S. Domestic or Global investment mandate. BSC makes these investment mandates available using equity and balanced portfolios.

BSC believes that the greatest opportunity for an active investment manager to add value, versus the passive benchmark alternative, is to generally operate a portfolio free of capitalization restrictions. This is accomplished by allowing the best investment opportunities to be included in the portfolio regardless of market capitalization. Additionally, BSC believes a core portfolio that is created by combining multiple approaches



is the best structure for a style neutral portfolio. Portfolio holdings are limited to approximately 75 positions in order to meaningfully differentiate the portfolio from the broader equity market. The equity portfolio is diversified by market capitalization, economic sector and investment style.

Paramount to BSC's investment philosophy is the belief that equity markets are very efficient, but not perfectly efficient, particularly over the short-term. Furthermore, it is BSC's belief that market prices of publicly traded common stocks reflect both rational and irrational factors. Therefore, while fundamental analysis is the primary investment discipline used, technical analysis is also employed in the investment decision-making process. At times, the core equity strategy has meaningful exposure to mid and small capitalization stocks that have less coverage by analysts than the more well-known companies found in the Standard & Poors 500 Stock Index.

### ***Domestic Strategy***

The growth portion of the domestic core equity strategy seeks to purchase primarily U.S. companies that BSC believes will grow earnings substantially faster than the broader market in the future. Special consideration is paid to a company's profitability, reinvestment rate and operating performance to maximize the probability that shareholder wealth is created. Companies purchased for the portfolio are expected to be trading at low valuation levels based upon discounted cash flow models.

The value portion of the domestic core equity strategy seeks to purchase primarily U.S. companies that may be considered "good value candidates" by traditional industry valuation measures. Companies purchased are believed to have improving fundamental characteristics. It is BSC's belief that the companies' enhanced operating performance/structure will ultimately be recognized by the broader marketplace, resulting in increased share value.

### ***Global Strategy***

The domestic strategy adds an international component to create a global core equity strategy that seeks to generally purchase high yielding, large international companies via the purchase of the ADRs. It is BSC's belief that purchasing leading international companies with higher than average dividend yields will provide current income in addition to potential capital appreciation over time.

### ***Hedging and Exchange-Traded Funds***

In some market environments, BSC may partially hedge the portfolio against declines by purchasing inverse Exchange-Traded Funds (ETFs) if the risk of significant market correction appears high. This hedging technique can also detract from market gains. Such securities serve as synthetic short positions and play a roll in the overall strategy. More frequently, broad market or sector ETFs may be purchased as temporary allocations until individual stock opportunities present themselves.

### ***Balanced Strategy***

Balanced accounts have an allocation to select fixed income ETFs in addition to the core equity strategy. Such accounts seek a balance between capital growth, capital preservation, and current income. The amount of Client assets allocated to fixed income securities is determined based upon each Client's unique return and risk objectives. Currently, BSC will only use fixed income ETFs for the portion of the portfolio to be allocated to fixed income and will not use bonds nor debt securities.

### ***Fixed Income Strategy***

The fixed income strategy seeks to provide low-risk current income and limited capital appreciation utilizing an intermediate fixed income investment strategy. The strategy also seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the generally investment grade credit sector of (1) the United States Bond Market and the intermediate United States Treasury Market as defined by the Barclays Capital U.S. Intermediate Government/Credit Bond Index for taxable investments and (2) the U.S. Municipal Bond Market, as defined by the Barclays Capital Five Year Municipal Bond Index for tax-exempt investments.

The fixed income positions of the portfolio may be repositioned from time-to-time to adjust for certain interest rate scenarios based upon BSC's research and analysis of the yield curve. BSC uses research by select economists and/or market strategists for interest rate forecasts. Proprietary technical analysis (the use of price and volume patterns to forecast security price movements) is used to confirm any interest rate forecast before changes to the fixed income strategy security allocations are implemented.

When a Client retains BSC to manage their financial assets, a careful review is conducted to determine the Client's objectives and risk tolerances. The Client's portfolio is constructed accordingly. Client input is primarily limited to decisions about the target amount of cash equivalents in the Statement of Investment Policy and the individual security restrictions. Clients seeking solely fixed income management and do not have a capital appreciation objective as an element of their financial objectives may not be appropriate Clients for BSC.

Blue Shores *Capital* services are provided as an Investment Manager as described in the Services, Fees and Compensation Section of this Brochure. BSC participates as a wrap-fee manager and receives a portion of the fee for its services. There is no difference in how BSC manages wrap-fee accounts and other accounts.

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

IPC does not charge any performance-based fees, which are fees based upon a share of the capital gains on, or capital appreciation of, the assets in a Client's account.



## **BSC METHODS OF ANALYSIS**

BSC manages a Domestic Equity Strategy, a Global Equity Strategy and a Fixed Income Strategy. The same investment process is used for both the Domestic and Global Equity Strategies. The primary distinction between the two strategies is that the Domestic Strategy does not have a strategic allocation to international securities as an asset class, whereas the Global Equity Strategy does. The Domestic Strategy is U.S. focused.

BSC's equity investment strategies employ two primary methods of analysis. First, BSC uses a top-down approach that examines global macroeconomic data and technical market security data. The second method focuses on individual security selection for the Client portfolios.

The top-down macroeconomic analysis consists of reviewing the broad business conditions and market cycles in an attempt to determine the best opportunities for investing capital. An investment framework is established by focusing on, and determining, the percent long equity exposure, style weightings, sector weightings, and global investment themes. To establish a less than 100% long equity position (i.e., hedge) BSC increases the cash allocation and/or purchases inverse ETFs, which have the effect of reducing total long exposure.

BSC also applies technical analysis to multiple asset classes and markets to assist in the timing of the implementation of investment decisions that lead to portfolio changes.

The BSC security selection process uses a discounted free cash flow model to determine the valuation of stocks. BSC attempts to purchase securities when they are below their fair value estimate and sell when they are at or above their fair value estimate. Attractively valued securities are then screened based upon fundamental characteristics to determine a security's style alignment (i.e., growth or value) for proper representation in a portfolio based upon BSC's top-down macroeconomic analysis.

In some situations a global investment theme may be implemented using Exchange-Traded Funds (ETF). This may occur when BSC, through their research, does not find sufficient individual stock opportunities that meet their criteria as good candidates to implement the global macro investment theme. Additionally, this process is supplemented with the use of technical analysis to assist in the timing of purchase and sell decisions.

In some market environments, BSC may hedge the portfolio by purchasing inverse ETFs if the risk of significant market correction appears high. Such securities serve as synthetic short positions. More frequently, broad market or sector ETFs may be purchased as temporary allocations until individual stock opportunities present themselves. At times, ETFs or Exchange-Traded Notes that track the performance of commodities or currencies may be used.

Fixed income allocations are managed based entirely on the top-down approach described above and implemented with fixed income ETFs. Fixed income allocations generally are intermediate in term structure and generally investment grade. Adjustments to duration and credit quality are made based on the top-down analysis approach.

## **INVESTMENT STRATEGIES AND RISK OF LOSS**

Risk may be defined as the chance that an investment's or investment strategy's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. A fundamental idea in finance is the relationship between risk and return. The greater the amount of risk that an investor is willing to take on, the greater the potential return. The reason for this is that investors need to be compensated for taking on additional risk.

**Market risk** is defined as the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market rate or price changes (e.g., equity prices).

There can be no assurance that any investment, investment strategy or the investment asset allocation selected will be profitable or successful in achieving its investment objectives. Clients should understand the primary risk of investing in securities involves a loss of capital and should be prepared to bear such a loss. Investment in securities comes with inherent risks in exchange for a return on that investment as described above. In general, an investor may lose a portion of their principal and experience volatility in the value of that principal over time for various reasons as outlined below. This list is representative of many risks and is not necessarily a complete indication of all the risks a client may assume.

### ***1. Fixed Income Securities (Bonds)***

Fixed income securities are debt obligations of the issuer. The market value (price) of those obligations can vary over time for various reasons such as those listed below:

- a. **Fixed Income Securities:** An investment strategy that invests in fixed income securities includes corporate bonds, government bonds, municipal bonds, other debt instruments, Exchange-Traded Funds and mutual funds that invest in these securities. Issuers generally pay a fixed, variable or floating interest rate and must also repay the amount borrowed at maturity. Some debt instruments, such as zero-coupon bonds, do not pay current interest, but are sold at a discount from their face value. Prices of fixed income securities generally decline when interest rates rise and rise when interest rates fall.

Investment strategies that invest in U.S. Government securities include securities issued or guaranteed by the U.S. Treasury; issued by a U.S. Government agency; or issued by a Government-Sponsored Enterprise (GSE). U.S. Treasury securities include direct obligations of the U.S. Treasury (i.e., Treasury bills, notes and bonds). U.S. Government agency bonds are backed by the full faith and credit of the U.S. Government or guaranteed by the U.S. Treasury (such as securities of the Government National Mortgage Association (GNMA or Ginnie Mae)). GSE bonds are issued by certain federally-chartered but privately-owned corporations, but are neither direct obligations of, nor backed by the full faith and credit of, the U.S. Government. GSE bonds include: bonds issued by Federal Home Loan Banks (FHLB), Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation

(FHLMC or Freddie Mac) and the Federal National Mortgage Association (FNMA or Fannie Mae).

- b. **Duration Risk:** Duration is a measure of sensitivity of the change in market value to a given change in interest rates over time. Longer duration bonds, which typically have longer maturities, have more sensitivity to interest rate changes than short duration bonds. Additionally, longer-term debt and zero-coupon bonds are more sensitive to interest rate changes than debt instruments with shorter maturities.
- c. **Credit Risk:** Fixed income securities are also subject to credit risk, which is the chance that an issuer will fail to pay interest and/or principal on time. Many fixed income securities receive credit ratings from Nationally Recognized Statistical Rating Organizations (NRSROs). These NRSROs assign ratings to securities by assessing the likelihood of issuer default. Changes in the credit strength of an issuer may reduce the credit rating of its debt investments and may affect their value. High-quality debt instruments are rated at least AA or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Issuers of high-grade debt instruments are considered to have a very strong capacity to pay principal and interest. Investment-grade debt instruments are rated at least Baa or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Baa-rated securities are considered to have adequate capacity to pay principal and interest, although they also have speculative characteristics. Lower-rated debt securities tend to pay higher interest and are more likely to be adversely affected by changes in economic conditions than higher-rated debt securities.

An issuer suffering an adverse change in its financial condition could cause a lowering of the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Investment strategies investing in lower quality debt securities, although generally having a higher yield, are more susceptible to these problems and their value may be more volatile.

**Non-Investment Grade Debt:** Credit risk is more pronounced for investments in fixed-income securities that are rated below Investment Grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult.

## **2. *Equity Securities (Stocks)***

Stocks generally represent an ownership share in a company. The market value (price) of those ownership shares fluctuate over time.

- a. **Equity Securities Risk:** Equity securities include common stocks, preferred stocks, convertible securities, mutual funds and Exchange-Traded Funds that invest in these securities. Equity markets can be volatile. Stock prices rise and fall based on

changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

- b. **Loss of Capital:** An owner of stock can lose some or all of their investment.
- c. **Risk Related to Company Size:** Investment strategies that include investing in mid, small and micro capitalization companies generally involves greater risks than investment strategies investing in larger, more established companies, and possibly have a higher probability of experiencing a loss of principal in exchange for potentially higher growth. The market may value companies according to size or market capitalization rather than financial performance. As a result, if mid-cap, small-cap or micro-cap investing is out of favor, these holdings may decline in price, even though their fundamentals are sound. They may be more difficult to buy and sell, subject to greater business risks and more sensitive to market changes than larger capitalization securities. However, the pattern of their volatility may be different than those of larger stocks; and, therefore, may have diversification benefits, possibly reducing the overall portfolio volatility.
- d. **Foreign Securities Risk:** Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the securities of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets.
  - However, some of this investment risk may be reduced by investing in foreign securities typically through American Depositary Receipts ("ADRs"). ADRs are certificates deposited with a U.S. bank that represent the right to own a foreign security. Since ADRs are traded in U.S. markets and the issuers are subject to the same auditing, accounting and financial reporting standards as domestic securities, owning ADRs has advantages over owning other foreign securities.
  - Other risks an investor should be aware of when selecting an investment strategy that invests in foreign or international securities are:
    - i. **Currency Risk** – the risk that the U.S. Dollar's exchange rate versus other currencies may change, thus increasing or decreasing the value of the stock once exchanged back into U.S. Dollars.
    - ii. **Political or Sovereign Risk** – Countries outside the U.S. have different legal, economic and political structures that can affect the value of investments in those countries.

- iii. **Emerging Markets:** Investment strategies that invest in emerging international markets may experience additional risks beyond those listed above. Emerging markets may have less developed legal, economic and political structures that are in the process of emerging, and, therefore, may experience additional volatility beyond that of more economically developed countries.

Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, affected adversely by economic conditions in the countries in which they trade. Because of the special risks associated with investing in Emerging Markets, investments in such securities should be considered speculative. Investors in such strategies are advised to consider carefully the special risks of investing in emerging market securities.

The risk also exists that an emergency situation may arise in one or more developing markets, as a result of which trading of securities may cease or may be substantially curtailed and prices for an investment strategy's securities in such markets may not be readily available. Investors should note that changes in the political climate in Emerging Markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting to foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of the investment strategy.

### 3. *REITs*

- a. **REITs:** Real estate investment trusts, known as REITs, are entities that invest in different kinds of real estate or real estate related assets, including shopping centers, office buildings, hotels, and mortgages secured by real estate. There are basically three types of REITs:
- Equity REITs, the most common type of REIT, invest in or own real estate and potentially make money for investors from rents they collect as well as from price appreciation;
  - Mortgage REITs lend money to owners and developers or invest in financial instruments secured by mortgages on real estate; and
  - Hybrid REITs are a combination of equity and mortgage REITs.

The Internal Revenue Code lists the conditions a company must meet to qualify as a REIT. For example, the company must pay 90% of its taxable income to shareholders every year. It must also invest at least 75% of its total assets in real estate and generate 75% or more of its gross income from investments in, or mortgages on, real property.

Investing in real estate and real estate investment trusts (REITs) involve special risks, such as: limited liquidity, changes in tax laws, tenant turnover or defaults, competition, casualty losses and use of leverage. Real estate values may fluctuate based on economic and other factors. An investment in real estate or REITs may not be suitable for all investors, and there are no assurances that the investment objectives of any real estate program or strategy will be attained.

#### ***4. Exchange-Traded Funds***

- a. **Exchange-Traded Funds (“ETFs”) Risk:** ETFs are open-end investment companies, unit investment trusts or depository receipts that may hold portfolios of bonds, stocks, commodities and/or currencies that are commonly designed, before expenses, to closely track the performance and/or yield of (i) a specific index, (ii) a basket of securities, commodities or currencies, or (iii) a particular commodity or currency. The types of indices sought to be replicated by ETFs most often include domestic equity indices, fixed income indices, sector indices and foreign or international indices. ETF shares are traded on exchanges and are traded and priced throughout the trading day. ETFs permit an investor to purchase a selling interest in a portfolio of stocks throughout the trading day. Because ETFs trade on an exchange, they may not trade at Net Asset Value (“NAV”), which is the value of the underlying securities after expenses. Sometimes, the prices of ETFs may vary significantly from the NAVs of the ETFs’ underlying securities. Additionally, if an investor decides to redeem ETF shares rather than selling them on a secondary market, the investor may receive the underlying securities which must be sold in order to obtain cash.

Also, ETFs consisting of bonds and bond funds will generally decrease in value as interest rates rise. ETFs consisting of commodities exhibit their own unique potential risk as these markets have historically been extremely volatile. Inverse ETF funds should lose money when their benchmark indexes rise – a result that is opposite from traditional mutual funds. Inverse ETF funds also entail certain risks, including inverse correlation, leverage, market price variance and short sales risks.

### **VOTING CLIENT SECURITIES (PROXY VOTING POLICY SUMMARY)**

Within the MSP, MSP-OAS, Emerging Manager MSP and Tax-Transition Management Portfolios, Independent Portfolio Consultants, Inc., as a matter of policy and as a fiduciary to our Clients, has responsibility for voting proxies consistent with the best economic interests of the Clients. IPC’s policy and practice includes the implementation of a Proxy Voting Service for corporate actions and Client proxies. Clients may retain the right to vote any proxies or take



action relating to specified securities held in the Account provided the Client gives timely, written prior notice to IPC. Clients are provided the option to vote their proxies in the Investment Management Agreements and Investment Advisory Agreements. IPC makes the information available to Clients about the voting of proxies for their portfolio securities upon request. A copy of the Policy and voting information may be obtained by writing to: Independent Portfolio Consultants, Inc., Attention: Compliance, 5002 T-Rex Avenue, Suite 225, Boca Raton, FL 33431.

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

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### **INVESTMENT POLICIES AND INVESTMENT MANAGER COMMUNICATIONS**

For each account, an investment management agreement is signed between the Client and the Investment Manager or IPC as the Overlay Portfolio Manager. This agreement outlines the terms by which the Client's account is to be managed. Attached to the IMAPD "full-service" account investment management agreement is a statement of investment objectives that outlines the Client's investment objectives. This includes such information as: the purpose of the account, the Client's primary investment objective, tolerance for risk, liquidity needs, age, occupation, income, net worth and other special considerations that would impact how the Client desires the account to be managed. This information is passed on to the Investment Manager(s) selected by the Client. However, the MSP, MSP-OAS, Emerging Manager MSP and TTMP accounts are managed by IPC and no information is provided to the Model Manager(s) or Sub-Adviser(s). Although the information described above in this paragraph is not included in the MSP, MSP-OAS, Emerging Manager MSP and TTMP investment management agreements, IPC uses this information, if provided, in making recommendations to the Client.

If a Client's financial situation or investment objectives change and a Client wishes to modify their investment objectives and/or account restrictions, the Client should notify their IPC Consultant. On a quarterly basis, the Client will be reminded to provide IPC and their Consultant with any information regarding significant changes to their financial condition and other information that may change their investment objectives. IPC will communicate this to the Client's Investment Manager(s) or Overlay Portfolio Manager. This information typically requires the completion of a new Investor Profile Questionnaire and may require an update to the Client's Statement of Investment Policy which, if changed, will be provided to the Investment Manager.

Clients will also receive a quarterly performance report, which the Client can review with their IPC Consultant as often as is determined to be necessary, but at least annually. This report can be used to assist the Client in monitoring the results of their investment account in relation to their particular goals and objectives stated in their Statement of Investment Policy. The Client's IPC Consultant and the IPC Ongoing Consulting Group will consult with the Client concerning the Investment Managers' investment performance, and assist the Client in making future

investment management decisions, based both on account performance and upon changes in their overall financial circumstances. The IPC Consultant works with the IPC's Ongoing Consulting Group to set up and coordinate Client reviews of their accounts. If deemed appropriate, the IPC Consultant may recommend that the Client select a new Investment Manager at no additional cost.

IPC provides Investment Managers but not Sub-Advisers with electronic access to Client portfolio holdings on a regular basis. Investment Managers may access Client portfolio statements that are balanced and reconciled monthly. Additionally, the electronic access enables the Investment Manager to view Client accounts daily and includes a list of the Client's holdings, a cash ledger of activity in the account for the current month, as well as a performance report for the Client's portfolio. Also, IPC provides the Investment Manager with access to an electronic copy of the Client's quarterly portfolio report and the personalized IMAPD consulting letter as described below in Section 9.

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## **8. Client Contact with Portfolio Managers**

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A Client may choose to meet or speak with their Investment Manager directly to review their account objectives and performance. The IPC Consultant or the IPC Ongoing Consulting Group, coordinates the conferences or meetings with their Investment Manager(s). The Investment Manager is the person who is making the investment decisions pertaining to the Client's account on a day-to-day basis. Clients may communicate directly with their Investment Manager(s), consistent with the reasonable constraints of the Investment Manager's business.

However, the MSP, MSP-One Account Solution, Emerging Manager MSP and Tax-Transition Management Portfolio services described above in Section 4 do not provide the Client with the following services:

- direct contact with the Sub-Adviser, Model Manager or Emerging Manager
- an extensive amount of individual portfolio customization, in-depth, coordinated tax planning or
- the ability to consider previously existing holdings.

For these accounts, the Client's IPC Consultant will meet or conference with the Client, at the Client's request, to review their account objectives and performance. They will also work with the Client to develop their objectives and investment strategies. Additionally, Client's input is primarily limited to decisions about the target amount of cash equivalents in the investment policy target allocation and the individual security and any other reasonable restrictions on the account. While an initial Client presentation, via a telephone conference call, may be provided by a specific Model Manager, ongoing Client consultation will be provided primarily by an IPC Consultant.



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## **9. Additional Information**

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### **DISCIPLINARY INFORMATION**

IPC is required per the Security and Exchange Commission Rule 206(4)-4 to disclose in the Brochure material facts about any legal or disciplinary events of IPC or its management personnel. IPC does not have any legal or disciplinary events to report.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

Independent Portfolio Consultants, Inc. is a registered investment adviser with the Securities and Exchange Commission and is primarily engaged in the managed assets business. IPC, and its executive officers, spend the majority of their time with these business activities. IPC also has entered into a Brokerage Services Agreement with Managed Account Services, LLC (“MAS”) and most persons associated with IPC who provide investment advice to Clients are also registered representatives of MAS. MAS is actively engaged in business as a securities broker-dealer and acts as the primary executing broker for most of MAS’ brokerage and advisory activities. In this capacity, MAS performs, among other services, trade executions and clearing support, in addition to related administrative and client services. The proportion of time spent on each of these activities by IPC representatives is not determinable.

### **CODE OF ETHICS**

IPC has adopted a Code of Ethics, in compliance with Rule 204A-1 of the Investment Advisers Act of 1940. The Code of Ethics, among other things, sets ethical standards and requires compliance with the securities laws, safeguards material, nonpublic information about Clients’ transactions and portfolio holdings, and requires initial and annual reports of securities holdings for access persons. This Code of Ethics sets forth the rules for business conduct and personal investing activities of IPC’s employees.

The provisions of the Code of Ethics apply to all IPC employees. A copy of the Policy may be obtained by writing to: Independent Portfolio Consultants, Inc., Attention: Compliance, 5002 T-Rex Avenue – Suite 225, Boca Raton, FL 33431.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING**

IPC’s employees and officers may maintain positions in, or buy or sell the same securities or related options as Clients buy or sell. In cases such as this, employees and officers of IPC would have an interest in the success of a security that may be recommended to, owned by, sold for or purchased for a Client.

Employee trades are reviewed, so that no employee's trade execution receives a better execution price than a Client's for the same security traded on the same day in an MSP, MSP-OAS or Emerging Manager MSP account. IPC employees are not permitted to buy or sell any securities that are included on an "IPC Restricted Security List" (security trades placed by IPC acting in the capacity of a portfolio manager) for a 24 hour period. However, this restriction does not apply to employee accounts under contract with, and managed by, a professional Investment Manager. The IPC Portfolio or Overlay Managers will distribute the "IPC Restricted Security List" via an office-wide e-mail prior to trading securities for an MSP managed investment account. The time stamp and date on the e-mail begins the 24 hour restriction. Employee trades will be reviewed and, if an employee traded a security on the "IPC Restricted Security List," the employee trade may be busted to an error account, on a case-by-case basis, based upon the review of the previous day's trades, except as noted above. The intent is to avoid potential conflicts of interest that may arise in the trading activities on behalf of Clients.

## **Brokerage Executions**

### *Best Execution*

IPC as a matter of policy, seeks to obtain best execution for Client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. While best execution is difficult to define and even more challenging to measure, it is generally accepted that it does not only mean achieving the best price but also includes many factors, such as the characteristics of specific trades, the stock being traded, specific needs of IPC Clients, conditions in the market at the time the order is placed and the overall efficiency of market structure. In addition, IPC takes into account the fact that the Client's fees covers trades executed by Managed Account Services, LLC and/or its clearing agent, First Clearing, LLC or Pershing Advisor Solutions LLC and/or its clearing agent, Pershing, LLC (*i.e.*, there are no additional commissions charged if trades are placed through these broker-dealers).

### *Brokerage Transactions*

IPC's policy is to not accept an advisory Client's instructions for directing a Client's brokerage transactions to a particular broker-dealer.

IPC sponsors wrap-fee programs in which transactions executed through Managed Account Services, LLC or Pershing Advisor Solutions LLC would be free of commission charges to Clients. Investment Managers in the Program are generally free to consider the trading capability of these firms versus other brokers' trading capability. However, IPC anticipates that most trades will be placed through these entities for execution because of their execution capabilities and because the wrap-fee paid by Clients covers trade charges only when trades are executed through MAS or PAS or their agents. Wrap-fees do not cover charges resulting from trades effected with, or through, broker-dealers other than MAS or PAS or their agents, nor mark-ups nor mark-downs by such other broker-dealers. Further, it is expected that Investment Managers would typically consider trades executed via MAS or PAS are without commissions or retail mark-ups or

mark-downs when comparing the cost of trading for equity securities with other brokers. IPC would expect such a comparison would generally result in a decision to execute most trades through MAS or PAS.

IPC has full discretion in the management of accounts in its capacity as a Portfolio Manager or Overlay Portfolio Manager for the MSP, MSP-One Account Solution, Emerging Manager MSP and Tax-Transition Management accounts. Clients direct IPC to use the brokerage services offered by MAS or PAS to effect transactions for the Client's account. IPC may use another broker or dealer to effect transactions for the account when it reasonably believes it can achieve best execution by using such other broker or dealer. However, because commissions for transactions executed through MAS and PAS are included in the wrap-fee the Client pays, IPC will not seek to negotiate commission rates with MAS or PAS and will use MAS and PAS to execute most, if not all, transactions for the account. However, if IPC believes that it would not be able to achieve best execution on a security transaction by placing trades for the Client's account through MAS or PAS, IPC may execute securities transactions through another broker-dealer, and the account will pay separate transaction costs.

IPC's policy is to not engage in any principal or agency cross-transactions. An agency cross-transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction (SEC Rule 206(3)-2(b)). Agency cross-transactions typically may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Also, as a matter of policy, IPC does not have any formal or informal arrangements or commitments to use research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

### *IPC Trade Aggregation and Allocation*

The aggregation or blocking of Client transactions allows an Investment Manager to execute transactions in a more timely, equitable and efficient manner. Blocking is done in an attempt to achieve a better overall price execution for the Client.

As a matter of policy, IPC's allocation procedures must be fair and equitable to all Clients, with no particular group or Client(s) being favored or disfavored over any other Clients. IPC's policy prohibits any allocation of trades in a manner that favors IPC's proprietary accounts or any particular Client(s) or group of Clients.

IPC has adopted a policy for the fair and equitable allocation of transactions. The policy is as follows: For Client accounts managed by the Overlay Portfolio Manager on a discretionary basis, IPC may aggregate, block, or bunch Client trades, provided that the following conditions are met: (1) IPC will not aggregate transactions, unless it believes that aggregation is consistent with its duty to seek best execution for its Clients; (2) no

advisory Client will be favored over any other Client; (3) each Client that participates in an aggregated order will participate at the average share price for a given order, in a given security, on a given business day, and (4) if the aggregated order is filled in its entirety, it will be allocated proportionately to receive the same allocation as the proportion of the total pre-trade allocation at the average price. For remaining portions that are filled on the following business day, Clients will receive the same allocation as the proportion of the total pre-trade allocation at the average price of the business day.

### *Error Correction Practices*

As a fiduciary, IPC has the responsibility to effect orders correctly, promptly and in the best interests of our Clients. In the event an error occurs in IPC's handling of any (MSP, MSP-One Account Solution, Emerging Manager MSP or Tax-Transition Management Portfolio) transactions, due to IPC's actions, or inaction, or actions of others, IPC's policy is to seek to identify and correct any errors as promptly as possible, without disadvantaging the Client.

Profits and losses that result from the correction of erroneous trades made via MAS or PAS are absorbed by MAS' or PAS' respective error accounts. Losses that are incurred as a result of an error made by an Investment Manager or IPC are passed on to the Investment Manager or IPC. If the resulting balance in MAS' or PAS' error account at the end of the year is a profit, the amount might be considered additional compensation to MAS or PAS.

Exceptions to the general rule of moving errors to the error account can be made for ERISA accounts in which case gains, resulting from the error correction, may be awarded to the Client. This is only permitted to the extent that the trade does not violate legal or Client guidelines.

## **REVIEW OF CLIENT ACCOUNTS**

On a daily basis, account activity is reviewed by IPC for exceptions (entries that are not consistent with the Client account) and violations of Client restrictions. Each account is balanced and reconciled, at least monthly, against the Client's custodian's statement. The IPC Manager of Advisory Operations is responsible for overseeing this activity.

On a quarterly basis, the IPC's Consulting Group reviews each actively managed account relationship. These individuals review accounts to look at asset allocation, holdings, performance, as well as industry, sector and issue concentrations and for general adherence to an Investment Manager's stated style. Any discrepancies noted will be reviewed with the Investment Manager. Other items reviewed may include the risk profile of the portfolio, the Client's objectives and performance versus a comparable benchmark. The IPC Manager of Advisory Operations & Performance Analyst is also responsible for reviewing the performance for all accounts. Any account performance that significantly varies from a comparable benchmark is flagged. Accounts are also reviewed for dispersion characteristics. An

inexplicable or unsatisfactory response from the Investment Manager may subject them to a review by the Vice President of Due Diligence.

Account reviewers follow IPC's policies and procedures that are reasonably designed to detect or prevent violation of a Client's investment guidelines. When an issue is raised during a review, an inquiry must be made until such issue is resolved. Upon further examination, and if warranted an in-depth review may be followed by a discussion with the Investment Manager and, finally, with the Client.

IPC's Ongoing Consulting Group will review the Client's investment objectives and, on at least an annual basis, IPC will inquire if the Client's financial situation or investment objectives have changed.

On a monthly basis, the Overlay Portfolio Manager(s) for the Multiple Strategy Portfolio ("MSP") and the Emerging Manager MSP accounts is responsible for reviewing these accounts for performance dispersion. If there is unexpected dispersion among Client accounts utilizing the same strategy, the transactions and/or security positions may be reviewed to determine the reason for the unexpected dispersion. On a quarterly basis, IPC's composite strategy performance results are compared to the performance results that the Model Manager and Emerging Manager Models achieved in their direct managed accounts which are reported in the Model Manager's or Emerging Manager's composite results. Any significant divergence of MSP or Emerging Manager MSP strategy results, as compared to Model Manager or Emerging Manager composite results, will be reviewed in order to determine if the divergence is logical, or if the divergence may be due to a problem with the implementation of the Model Manager's or Emerging Manager's Model portfolio.

On a daily basis, the MSP-One Account Solution ("MSP-OAS") accounts are also reviewed for exceptions and restrictions by IPC. Each account is balanced and reconciled at least monthly, if not daily, against the Client's custodian. On a monthly basis, MSP-OAS accounts are reviewed for performance dispersion. If there is unexpected dispersion among Client accounts utilizing the same strategy, the transactions and/or security positions may be reviewed to determine the reason for the unexpected dispersion. Also, accounts are reviewed to compare the current asset allocation between cash, equities and bonds to the Client's target allocation as determined by the Statement of Investment Policy ("SOP"). When an asset class is out of the predefined allowable range, the MSP-OAS Overlay Portfolio Manager will work to bring the asset allocation back towards its target allocation.

## **Client Reporting**

IPC provides Clients a quarterly report that includes portfolio analysis, portfolio performance, asset allocation, portfolio holdings, capital gains and losses report and a cash ledger detailing account transactions for the quarter. MSP, MSP-OAS and Emerging Manager MSP Clients are provided a quarterly report that includes portfolio performance, asset allocation, portfolio holdings, capital gains and losses and contributions, withdrawals and income transactions for the quarter. The reports are generated following the quarters ending March 31st, June 30th, September 30th and December 31st.

IPC also makes available quarterly, a personalized Client consulting letter. The purpose of the consulting letter is to provide Clients with a meaningful framework within which to review their portfolio's recent quarterly performance, as well as the last 12 months' performance and inception-to-date performance, if available. The quarterly consulting letter is not provided for MSP, MSP-OAS or Emerging Manager MSP accounts.

Portfolio performance reporting is calculated and presented by IPC independently of the Investment Manager (except for the MSP, MSP-OAS and Emerging Manager MSP as described above). This third-party consultation about performance allows for a system of checks and balances when reporting a Client's performance. IPC follows industry standards in the calculation of performance information for a Client's account.

Clients generally receive confirmation of transactions, as well as monthly statements, from Managed Account Services, LLC (produced by First Clearing, LLC) or Pershing Advisor Solutions LLC (produced by Pershing, LLC) in accordance with their IPC agreement(s). If the Client has selected a custodian other than MAS or PAS, the nature and frequency of reports will be determined by the agreement between the Client and the custodian. IPC advises Clients to compare the information on their IPC statement with the statement from their custodian. If Clients have any questions about their statements, please call IPC Client Services at 561-912-1040 or 800-346-4570.

## **Electronic Access of Communications**

As an IPC advisory Client, you may consent to electronic delivery of account communications ("Account Communications") at IPC's discretion. IPC will provide this delivery of Account Communications by giving Clients access to their IPC account information via IPC's internet site utilizing an access password and account number. This may include all current and future advisory account statements, trade confirmations, notices, disclosures, regulatory communications, and other information, documents, data, and records regarding Client's IPC account. However, IPC is not able to provide electronic access or delivery of the Client's custodian statements and information. This consent to electronic delivery, when given, will be effective immediately and will remain in effect unless and until revoked. Clients may revoke this consent at anytime and request paper copies by writing to: Independent Portfolio Consultants, Inc., Attention: Compliance, 5002 T-Rex Avenue – Suite 225, Boca Raton, FL 33431.

## **CLIENT REFERRALS & OTHER COMPENSATION**

### **Referral Arrangements**

IPC may enter into referral arrangements with individuals, including independent financial planners, CPAs, registered investment advisers, Wealth Management Companies and broker dealers who are not employees or agents of IPC. These arrangements are done in compliance with the rules and regulations of the Investment Advisers Act of 1940, and the terms of the



arrangements are fully disclosed to the Client at the time the referral is made. Clients do not typically pay a higher fee as a result of such payment arrangement.

## **Additional Compensation to IPC and its Affiliates**

The primary compensation under IPC's Managed Assets Programs is derived from the wrap-fee. IPC does not require Investment Managers, Model Managers, Sub-Advisers or investment companies participating in its programs to participate in its educational and training conferences. However, IPC generally requires Investment Managers, Model Managers, Sub-Advisers and investment companies choosing to participate in any of its educational and training conferences to pay IPC for associated expenses. This money is used to offset the cost of conferences and special meetings. These payments may be considered additional compensation to IPC and may create an incentive to direct more business to those companies. However, IPC does not consider participation attendance when evaluating and recommending Investment Managers for its programs.

Additionally, IPC has received payments from advisers that participate in IPC's managed asset programs. These payments may be for third party Wealth Management Company ("WMC") sponsored conference attendance, participation, speaker slots, sponsorship or exhibition fees; educational and training fees; or fees tied to program participation or for a specific marketing initiative within a program.

These payments may be considered additional compensation to IPC and may create an incentive to direct more business to those advisers. However, IPC does not consider the existence or level of payments from advisers in determining whether to select or retain an adviser in the program. Advisers that participate in the conferences and training sessions as described above may have an advantage over those managers that do not participate.

These payments to WMC from advisers vary depending on, among other things, the amount of separate account client assets under the adviser's management. These payments to WMC may be as high as \$20,000 per year per firm. Clients should review their adviser's brochure (Form ADV, Part 2A) for a description of business arrangements between program sponsors and investment advisers.

## **Custody**

IPC does not maintain physical custody of Clients' funds or securities. As part of the Wrap-Fee Program, IPC has arranged for custody by two primary qualified custodians. The client selects a custodian to have possession of the assets of the account, to settle transactions for the account, and to accept instructions from Investment Managers and/or IPC regarding the assets in the account. In addition, these custodians provide the Investment Managers and Overlay Portfolio Manager information on the additions to or withdrawals from the account.

IPC accounts may be held through Managed Account Services, LLC ("MAS") as introducing broker-dealer. MAS' uses First Clearing, LLC ("First Clearing") member NYSE/SIPC, on a fully-disclosed basis for clearing and custody services. First Clearing, LLC, a non-bank

affiliate of Wells Fargo & Company, produces account statements and trade confirms, and provides IPC with other recordkeeping, operational, clearing and custodial services. First Clearing, LLC is a member of FINRA, the Securities Investor Protection Corporation (“SIPC”), the New York Stock Exchange, the NASDAQ Stock Market and other major regional stock exchanges. Clients who maintain securities accounts with Managed Account Services, LLC, through First Clearing, are protected by the SIPC up to \$500,000 for cash and securities, with a limit of \$250,000 for cash awaiting reinvestment. For additional security, First Clearing also provides coverage in excess of the \$500,000 SIPC limits through its policy with Lloyds of London Syndicate, the underwriter of this additional protection. This additional protection covers missing securities and cash in Client brokerage accounts up to a firm aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. However, this protection does not cover market losses. Assets held at outside custodians are not protected by First Clearing’s SIPC coverage or the additional insurance.

Additionally, IPC accounts may be held through Pershing Advisor Solutions LLC, a subsidiary of The Bank of New York Mellon Corporation, member FINRA, SIPC. Clearing, Custody, or other brokerage services may be provided by Pershing, LLC (“Pershing”), member FINRA, NYSE, SIPC. Pershing Advisor Solutions LLC relies on its affiliate Pershing to provide execution services. Clients who maintain securities accounts with PAS, through Pershing, are protected by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000 for cash and securities, with a limit of \$250,000 for cash awaiting reinvestment. For additional security, Pershing also provides coverage in excess of the \$500,000 SIPC limits through its policy with Lloyd’s of London Syndicate, the underwriter of this additional protection. This additional protection covers missing securities and cash in Client brokerage accounts up to a firm aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. However, this protection does not cover market losses. Assets held in custody outside of Pershing are not protected by Pershing’s SIPC coverage or the additional insurance.

Also, custody fees may be incurred if a custodian other than MAS or PAS or their agents are used. If a custodian other than MAS or PAS or their agent is used, the client is responsible for the acts of the custodian and all direct expenses of the account, such as custodial fees, brokerage expenses, etc.

## **INVESTMENT DISCRETION**

IPC provides discretionary investment advisory services to Clients via equity and balanced (equity and fixed income securities) account management through its MSP, MSP-One Account Solution, Emerging Manager MSP and Tax-Transition Management services. Prior to a Client retaining IPC to manage all or part of their financial assets, a careful review is conducted to determine the Client’s objectives and risk tolerances. IPC then develops an investment plan or statement of investment policy for the Client based upon the client’s investment goals, objectives and financial circumstances. Once accepted, the Client enters into an Investment Advisory Agreement with IPC. Thereby, Client grants IPC, as the Overlay Portfolio Manager or Portfolio Manager (“Investment Manager”) for the account, full discretion in the management of the



investments of the Account. Client authorizes IPC, without prior consultation with, or approval from, the Client to invest and reinvest the assets in the Account.

Both cash and securities may be used to fund accounts in MSP, MSP-One Account Solution and Emerging Manager MSP. However, it is the intent of IPC that all securities so received be liquidated prior to, or simultaneous with, the purchase of securities for the account.

## **CONFLICTS OF INTEREST**

If a Client is in need of certain types of products and/or services that are not offered by IPC, IPC may refer the Client to various third-party entities that provide such products and/or services, and may receive direct or indirect compensation through referral fees, commissions or fee sharing, to the extent permitted by law, paid by the applicable third party. Examples of these types of products and/or services may include, without limitation, risk management strategies, hedging and diversification strategies.

Many IPC employees who offer advisory services are also registered securities representatives of MAS and may execute trades for Clients who also participate in IPC's wrap-fee programs or other advisory programs. These individuals may receive compensation from advisory or non-advisory Clients, resulting in a potential conflict of interest. IPC anticipates, however, that most trades will be placed through MAS or PAS, for execution because of their trading execution capabilities and because the wrap-fee paid by Clients covers trade charges only when trades are executed through MAS or PAS or their agents.

IPC, and its various relationships, provide a broad range of financial services to Clients. In offering such services, IPC, its employees, officers and affiliates may give advice and take action in the performance of their duties to certain of their Clients which may differ from advice given, or the timing and nature of action taken, with respect to other advisory Clients' accounts.

IPC may receive research reports and other materials from Investment Managers, Model Managers, and Sub-Advisers participating in its programs. IPC uses this information in various capacities in its business relationships with clients and advisors; however, IPC may provide all or some of this research to its Blue Shores *Capital* Division, which manages client assets on a discretionary basis. IPC's receipt of free research from Investment Managers, Model Managers, and Sub-Advisers may cause IPC to favor such managers and advisers over managers and advisers that do not provide it with free research, when selecting and retaining managers and advisers.

## **FINANCIAL INFORMATION**

IPC does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.