



**Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure**

## **1st Portfolio Wrap Fee Program**

**Date: June 27, 2013**

**1st Portfolio, Inc.**

**8300 Boone Blvd.  
Suite 200  
Vienna, VA 22182**

**Telephone: 703-821-5554  
Facsimile: 703-991-8534**

**Email: [wktaylor@firstportfolio.com](mailto:wktaylor@firstportfolio.com)**

This brochure provides information about the qualifications and business practices of 1st Portfolio, Inc.. If you have any questions about the contents of this brochure, please contact us at 703-821-5554. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about 1st Portfolio, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

1st Portfolio, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated January 23, 2012 we have added a Wrap Fee Program. This *Appendix 1* is, therefore, a new Brochure.

On June 27, 2013 the firm filed an amendment to the Form ADV to become registered with the SEC.

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## Item 4 Services, Fees, and Compensation

1st Portfolio Inc was founded in 2005, and became a wholly owned subsidiary of 1st Portfolio Holding Corporation, a diversified financial services company, in April 2009. 1st Portfolio Holding Corporation is a privately held company with fewer than 100 shareholders, none of whom individually own more than 25% of the company. Michael Rebibo is President and CEO of 1st Portfolio Holding Corp. as well as President and CEO of 1st Portfolio, Inc. Jacques Rebibo is Chairman of the Board of 1st Portfolio Holding Corp. and Jonathan Holtaway is the Secretary and Treasurer of 1st Portfolio Holding Corp.

As used in this brochure, the words "we", "our" and "us" refer to 1st Portfolio, Inc. and the words "you", "your" and "client" refer to you as a client or prospective client of our firm. Also, you may see the term "investment adviser representative" throughout this brochure. Our investment adviser representatives are our firm's officers and all individuals providing investment advice on behalf of our firm.

We offer portfolio management services through a wrap-fee program ("Program") as described in this wrap fee program brochure to prospective and existing clients. We are the sponsor and investment adviser for the Program. A wrap-fee program is a type of investment program that provides clients with asset management and brokerage services for one all-inclusive fee. If you participate in our wrap fee program, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and custodial and administrative costs. You are not charged separate fees for the respective components of the total services. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the Program.

Prior to becoming a client under the Program, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, and the fees to be paid.

### **CLIENT INVESTMENT PROCESS**

We provide discretionary and non-discretionary portfolio management services in accordance with your individual investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is granted by the investment advisory agreement you sign with our firm. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

If you enter into a non-discretionary arrangement with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Assets for program accounts are held at Pershing Advisors Solutions ("Pershing").

## **CHANGES IN YOUR FINANCIAL CIRCUMSTANCES**

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your account in accordance with your designated investment objectives. It is your responsibility to promptly notify us of any changes in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

## **THE PROGRAM FEE**

We charge an annual "wrap-fee" for participation in the Program depending upon the market value of your assets under our management. You are not charged separate fees for the different components of the services provided by the Program. Our firm pays all trade expenses of trades placed on your behalf. Our Program fee includes our custodian's transaction or execution costs. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion.

On an annualized basis, our Program fees are as follows:

<b>Assets Under Management</b>	<b>Annual Fee</b>
From \$0 to \$1,000,000	1.35%
\$1,000,001 to \$2,000,000	1.10%
\$2,000,001 to \$3,000,000	0.95%
\$3,000,001 to \$5,000,000	0.85%
\$5,000,001 to \$10,000,000	0.75%
\$10,000,001 and up	0.70%

We may charge a lesser management fee under certain circumstances. We may lower our investment management fee including but not limited to circumstances when: 1) we provide financial planning services for an additional fee in conjunction with investment management services, 2) we anticipate managing additional assets for you, 3) in consideration of your expected earning power, related accounts for family members of existing clients, account composition, and 4) negotiations with you.

As a client, you should be aware that the wrap fee charged by our firm may be higher (or lower) than those charged by others in the industry, and that it may be possible to obtain the same or similar services from other firms at lower (or higher) rates. A client may be able to obtain some or all of the types of services available through our firm's wrap fee program on an individual basis through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower or higher than the annual fees shown above.

## **FEE DEDUCTIONS FROM CLIENT ACCOUNTS**

Our custodian deducts our investment management fees from your account quarterly, in arrears, and based on the net market value of the account on the last day of the prior calendar quarter. You authorize this arrangement with us, as prescribed in the written Investment Advisory Agreement. For partial quarters, the fee is calculated on a pro-rata basis. Additionally, we prorate our fee to account for client deposits and/or withdrawals during the quarter.

Your custodial statement reflects the date and amount of the fee deducted from your account. You should carefully review the statements for discrepancies. You should immediately report any discrepancies to us.

The following example illustrates how we calculate a "blended" fee for a \$1.2 million account under management. The period illustrated, is a full calendar quarter (generally 90 days):

Account Value on Last Day of Prior Quarter \$1,200,000

Blended Calculation  $\$0 - \$1,00,000 \times 0.3375\% (1.35\%/4) = \$3,375$

$\$1,00,001 - \$1,200,000 \times 0.2500\% (1.10\%/4) = \$550$

Fee Paid to 1st Portfolio  $\$3,375 + \$550 = \$3,925$

### **TERMINATION OF ADVISORY RELATIONSHIP**

You may terminate the wrap fee program agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the wrap fee program agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Upon termination of accounts held at our custodian, they will deliver securities and funds held in the account per your instructions unless you request that the account be liquidated. After the wrap fee program agreement has been terminated, transactions are processed at the prevailing brokerage rates/fees. You become responsible for monitoring your own assets and our firm has no further obligation to act upon or to provide advice with respect to those assets.

### **WRAP FEE PROGRAM DISCLOSURES**

- The benefits under a wrap fee program depend, in part, upon the size of the Account, the management fee charged, and the number of transactions likely to be generated in the Account. For example, a wrap fee program may not be suitable for Accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Program.
- In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers.
- Our firm receives compensation as a result of your participation in the Program. Compensation for our investment adviser representatives is not dependent on your participation in the Program and, as a firm, we do not increase or decrease our fees for wrap fee clients. The fee schedule for non-wrap fee accounts is identical to our wrap fee account. As such, the firm does not receive additional compensation for accounts managed under the wrap fee program.
- Similar advisory services may be available from other registered investment advisers for lower (or higher) fees.

### **ADDITIONAL FEES AND EXPENSES**

The Program Fee includes the costs of brokerage commissions for transactions executed through the Qualified Custodian (or a broker-dealer designated by the Qualified Custodian), and charges relating to the settlement, clearance, or custody of securities in the Account. The Program Fee does not include mark-ups and mark-downs, dealer spreads or other costs associated with the purchase or sale of securities, interest, taxes, or other costs, such as national securities exchange fees, charges for transactions not executed through the Qualified Custodian, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. The Account will be responsible for these additional fees and expenses.

The wrap program fees that you pay to our firm for portfolio management services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others.

### **BROKERAGE PRACTICES**

If you participate in the Program, you will be required to establish an account with our custodian, an unaffiliated SEC-registered broker-dealer and member FINRA/SIPC. If you do not direct our firm to execute transactions through our custodian, we reserve the right to not accept your account. Not all advisers require their clients to direct brokerage. Since you are required to use our custodian, we may be unable to achieve the most favorable execution of your transactions. We believe that our custodian provides quality execution services based on several factors, including, but not limited to, the ability to provide professional services, reputation, experience and financial stability.

### **RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

We do not receive any soft dollar benefits from any broker-dealer or custodian.

### **BROKERAGE FOR CLIENT REFERRALS**

Neither we, nor any of our investment adviser representatives, receive any referrals from any custodian.

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

We provide investment management services and financial planning services to individuals, affluent families, corporate executives, business owners, trusts, and estates. Additionally, we provide business consulting and retirement plan consulting services, including but not limited to, pension plans, profit sharing plans and 401k plans to small and medium size corporations.

We require a minimum account size of \$1,000,000 to open and maintain an advisory account. We may waive the minimum account size requirement under certain circumstances: 1) when we provide financial planning services for an additional fee in conjunction with investment management services, 2) when we anticipate managing additional assets for you, 3) in consideration of the your expected earning power, related accounts for family members of existing clients, account composition, and 4) negotiations with you.

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

We are the sponsor and sole portfolio manager for the Program.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

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

### Investment Strategies

Before making recommendations to you, we carefully explore your goals, objectives, income needs, age, time horizon and tolerance for risk, and other meaningful data specific to you to determine the most suitable allocation among various asset classes including. The investments held in our portfolios include but are not limited to stocks, bonds, cash, real estate investment trusts, natural resources and commodities. These assets generally exhibit low correlation to one another over long periods of time, thereby providing important diversification characteristics within client portfolios. The term correlation indicates the extent to which two or more asset classes move up or down together.

To provide additional diversification, we generally invest client assets in diversified investment vehicles such as mutual funds, closed-end funds, real estate investment trusts and exchange traded funds. Based on the personal factors described above that are unique to you, we will generally recommend that you invest in one of our five portfolios designed to achieve one of the objectives described below. In certain circumstances or as dictated by you, you may invest in a variation of one of the below described portfolios, a modified asset allocation or in a portfolio with a limited number of investments or asset classes.

The five portfolios are as follows:

- Growth
- Moderate Growth
- Balanced
- Moderately Conservative
- Conservative
- Income & Growth

**INVESTMENT OBJECTIVES** - The following generally describes the investment objective of the portfolio:

- **Growth** - this portfolio seeks to maximize capital appreciation. It is not concerned with current income.
- **Moderate Growth** - this portfolio seeks capital appreciation. It is not concerned with current income.
- **Balanced** - this portfolio seeks to provide moderate capital appreciation and limited current income with a secondary goal of capital preservation.
- **Moderately Conservative** - this portfolio seeks to provide limited capital appreciation and moderate current income with a secondary goal of capital preservation.
- **Income & Growth** - this portfolio seeks to maximize current income and generate limited capital appreciation.

**INVESTOR PROFILE** - The following generally describes the individual investor profile for the portfolio:

- **Growth** - You desire maximum capital appreciation. You are not concerned with the level of fluctuation in your portfolio.
- **Moderate Growth** - You desire capital appreciation. You are less concerned with the level of



fluctuation in your portfolio.

- **Balanced** - You desire moderate capital appreciation. You are moderately concerned with the level of fluctuation in your portfolio.
- **Moderately Conservative** - You desire limited capital appreciation. You are concerned with the level of fluctuation in your portfolio.
- **Income & Growth** - You desire current income and limited capital appreciation, with a secondary goal of preservation of capital.

Our portfolios are based on Modern Portfolio Theory, which was pioneered by Harry Markowitz in his paper "Portfolio Selection," published in the *Journal of Finance*. Modern Portfolio Theory is a theory of investing which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

Modern Portfolio Theory is a mathematical formulation describing the concept of diversification by creating portfolios that together have collectively lower risk than any individual asset within the portfolio. The risk, return, and correlation measures used by Modern Portfolio Theory are mathematical statements about the future. In practice investors must substitute historical measurements of asset return and volatility with forward looking forecasts in the equation, as looking forecasts attempt to account for new circumstances or data which did not exist when the theory was originally created.

#### *Methods of Analysis*

We use the following methods of analysis to optimize monitor client portfolios:

- Fundamental
- Technical

We construct client portfolios in a manner consistent with client specific issues, including but not limited to your goals, objectives, income needs, age, time horizon and tolerance for risk. We explore these factors in detail with you during client interviews and by reviewing data you provide to us in a confidential data-gathering questionnaire.

We primarily use *fundamental analysis* in conjunction with Modern Portfolio Theory to optimize client portfolios. Fundamental analysis considers global macroeconomic indicators such as GDP growth rates, corporate profits, corporate productivity, industrial capacity utilization, consumer prices and inflation, interest rates, unemployment, currency exchange rates and geopolitical risk factors. Additionally, fundamental analysis considers where the economy is in the context of the business economic cycle to determine the extent to which a portfolio should overweight or underweight certain asset classes. For example, at the peak of an economic cycle, emphasis may be placed on fixed income investments in lieu of equity investments and/or less economically sensitive sectors such as consumer staples or conservative fixed income securities such as US treasuries.

To a lesser extent, we use *technical analysis* to assist in the timing of funding or rebalancing client portfolios. Technical analysis considers the predictive nature of recognizable price patterns and trends, as well as psychological indicators that measure individual investor sentiment. Extreme readings in investor sentiment are believed to be contrarian, in that individual investors typically exhibit extreme levels of optimism at or near market tops and conversely, they exhibit extreme levels of pessimism at or near market bottoms. Properly identifying extremes in investor sentiment may be useful in determining the timing of funding or rebalancing of client portfolios.

## **A Word About Risk**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Material Risks to Our Analysis**

Both methods of analysis (fundamental and technical) as well as other investment strategies we use are subjective, and open to both interpretation and errors in judgment on our part. Additionally, investment analysis consider numerous factors that are complex, interrelated, and often affected by unpredictable factors including but not limited to macro and micro economic factors, and geopolitical risks.

Although we believe combining traditional and non-traditional asset classes and investment strategies together within a client portfolio, optimizes the client's trade-off between risk and return, there can be no assurances that doing so will achieve the expected outcome. There may be times, such as 2008, that a broadly diversified portfolio declines more in value than expected.

## **Risks Specific to Certain Securities**

We recommend or invest client assets in a wide range of securities that exhibit various risks, as previously described, but we primarily invest in open-ended mutual funds and exchange traded funds.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities.

Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Clients can learn more about the advantages and disadvantages of mutual funds, exchange traded funds and other securities by visiting the Securities & Exchange website  
<http://www.sec.gov/investor/pubs/inwsmf.htm>

## **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **PROXY VOTING**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

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

As required, in order to provide the Program services, we will provide your private information to your account custodian. We may also provide your private information to mutual fund companies and/or private managers. We will only share the information necessary in order to carry out our obligations to you in servicing your account. We share your personal account data in accordance with our privacy policy as described below.

### **PRIVACY POLICY**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, insurance agencies and insurance companies, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

## Item 8 Client Contact with Portfolio Managers

Without restriction, you should contact our firm or your advisory representative directly with any questions regarding your Program account.

## Item 9 Additional Information

### **DISCIPLINARY INFORMATION**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Registered Personnel**

1st Portfolio's Principal, Executive Vice President, and Investment Advisor Representative, W. Kirk Taylor, CFP is a Registered Representative of Capitol Securities Management, Inc.

#### **Relationships that Present a Conflict of Interest**

1st Portfolio's investment adviser representative, W. Kirk Taylor, is affiliated with Capitol Securities, an SEC registered, and FINRA member, broker-dealer. Mr. Taylor, in his individual capacity as a Registered Representative of Capitol Securities, may offer and effect securities brokerage transactions on a fully disclosed commission basis. At present however, Mr. Taylor does not offer or effect securities brokerage transactions and only maintains his licensure for legacy business. In addition, Mr. Taylor is a licensed independent insurance agent. As with his Registered Representative's license, Mr. Taylor does not, at present, offer or sell insurance products and only maintains his licensure for legacy business. Nevertheless, because Mr. Taylor continues to maintain those licenses, if he were to effect securities brokerage transactions or sell insurance products, he would be entitled to receive commissions thereon which would be separate and in addition to our advisory fees. This practice would, consequently, present a conflict of interest because, as a Registered Representative and an independent insurance agent, Mr. Taylor would have an incentive to effect securities brokerage transactions and/or recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to place securities brokerage trades or purchase insurance products through any person affiliated with our firm.

1st Portfolio Holding Corporation owns 10% of Ategra Capital Management, LLC, the investment manager of Ategra Community Financial Institutional Fund, LP ("the Fund"). 1st Portfolio does not actively solicit investment management clients to invest in the Fund. Certain clients of our firm may have previously invested in the Fund prior to becoming an advisory client. Investing in the Fund involves a significant degree of risk. All relevant information, terms and conditions relative to the Ategra fund including the compensation to be received by the Manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Offering Memorandum, Agreement of Limited Partnership, and Subscription Agreement, which each subscriber is required to receive and/or execute prior to being accepted as a member of the Fund.

Mr. Rebibo is also an employee of 1st Portfolio Lending Corporation, a mortgage Lender that is affiliated with 1st Portfolio through common ownership. Our parent company, 1st Portfolio Holding Corporation, is the sole shareholder of 1st Portfolio Lending Corporation. Certain employees of 1st Portfolio including Mr. Rebibo may provide mortgage lending services to clients of 1st Portfolio Inc. In the event that a client chooses to purchase any mortgage products or mortgage lending services from 1st Portfolio Lending Corporation, 1st Portfolio Lending Corporation will earn fees for the services provided. The rates and fees charged may be higher or lower than those charged by other mortgage

lenders/brokers and no client is under any obligation to purchase any products 1st Portfolio Lending Corporation, for mortgage lending services. Mr. Rebibo, any of 1st Portfolio's principal(s) and investment adviser representative(s) and 1st Portfolio Holding Corporation, may have an economic interest in the provision of such services through 1st Portfolio Lending Corporation to 1st Portfolio's clients. This presents a conflict of interest for 1st Portfolio, and/or 1st Portfolio's principal(s) and investment adviser representative(s). Mr. Rebibo devotes approximately twenty five percent (25%) percent of his time to 1st Portfolio Lending Corporation.

Mr. Rebibo is a partner in Saffron Bistro, LLC, which does business under the name of Evo Bistro, in Mclean, VA. He devotes approximately two (2) hours per week to this position.

### **Recommendation of Other Advisers**

We may recommend that you use a third party money manager ("MM") based on your needs and suitability. We will receive compensation from the MM for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any MM we recommend.

### **CODE OF ETHICS**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Neither our firm nor any of our investment adviser representatives has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **PERSONAL TRADING PRACTICES**

From time to time, the same securities we recommend to clients or the securities held in client accounts may also be purchased or held in the personal investment accounts of 1st Portfolio employees. Generally speaking, the securities recommended or held in client portfolios are either open-end mutual funds or actively traded securities such as closed-end funds, exchange traded funds or real estate investment trusts with high levels of daily liquidity. As such, the prices of these securities would generally be influenced only by extremely large volume trades, which are atypical of the investments found in the personal investment accounts of firm employees.

When employees of 1st Portfolio invest in the same securities it recommends to clients or those same securities are held in client accounts, a conflict of interest exists, in that the employee may buy or sell those same securities in their personal accounts and receive execution prices that are better (lower or higher) than the client may have received. To mitigate this conflict, it is our policy that employees shall not have priority over client accounts.

Per the firm's established Policies & Procedures manual, investment adviser representatives employed by 1st Portfolio are required to provide the Chief Compliance Officer with a written record of the investment adviser representative's current securities holdings within 10 days after the person becomes an access person, as well as a written record of the investment adviser representative's current securities holdings at least once each 12-month period. Additionally, each investment adviser representative must provide the Chief Compliance Officer with a written record of the investment adviser representative's securities transactions no later than thirty (30) days after the end of each calendar quarter.

## **REVIEW OF ACCOUNTS**

### **Periodic Account Review**

As a general matter, Michael J. Rebibo, President or W. Kirk Taylor, Executive Vice President review client accounts, at least on a quarterly basis. Matters which are reviewed, include, but are not limited to, current market activity, macro or micro economic outlooks, review and analysis of individual securities or investment products, fund managers, portfolio composition, trading activity and performance comparisons. Our analysis of these factors may trigger rebalancing decisions we deem appropriate.

Clients retaining us for Financial Planning services only, would not receive reviews or ongoing reports. We recommend that clients review their financial goals and objectives on an annual basis. For financial planning clients, these services would be provided for under a new Engagement Agreement.

### **Non-Periodic Account Review**

Conditions which may trigger more frequent reviews may include but are not limited to, changes in a client's financial circumstances, business economic fluctuations, and/or global geopolitical events.

### **Information Reported to Clients**

We provide clients with written quarterly reports, reflecting the portfolio value, asset allocation, performance and a summary of investment management fees deducted from your account. Clients also receive reports from our custodian, on a monthly and/or quarterly basis. You should carefully review those statements in a timely manner for accuracy. Additionally, in situations where we recommend that you invest assets with another broker-dealer, variable annuity company, third party investment manager, or other financial institution, you will also receive reports from the respective custodian or financial institution, on a monthly and/or quarterly basis.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Please refer to the *Brokerage Practices* section under Item 4 above for disclosures on research and other benefits we may receive resulting from our relationship with our custodian. Please also refer to the *Other Financial Industry Activities and Affiliations* section above for disclosures on other compensation we may receive.

### **AFFILIATED SOLICITOR**

If a client is introduced to us by an affiliated solicitor, we may pay that solicitor a referral fee in compliance with the requirements under Rule 206(4)-3 of the Investment Advisers Act of 1940, as well as any corresponding state securities requirements. We will pay the referral fee solely from our investment management fee. Doing so shall not result in any additional charge to the client.



Under these circumstances, the solicitor shall disclose at the time of the solicitation the nature of the solicitor relationship. The affiliated solicitor shall provide each prospective client with a copy of our written disclosure brochure. Additionally, we will provide the client with a written disclosure statement, disclosing the terms of the solicitation arrangement between us and the affiliated solicitor, and the compensation to be received by the solicitor from us.

#### **BLOCK TRADES**

Whenever practical, we aggregate client's orders or execute block trades for client accounts. However, during the course of normal rebalancing, it is generally not practical for us to aggregate client orders or execute block trades for client accounts. As such, clients will generally pay higher commissions or transactions costs than would otherwise be the case if we aggregated client orders.

#### **FINANCIAL INFORMATION**

We are not required to provide a balance sheet or other financial information to our clients, because we do not require the prepayment of fees in excess of \$1,200 and six months or more in advance; we do not take custody of client funds or securities; and, we do not have a financial condition that is reasonably likely to impair our ability to meet our commitments to you. Moreover, we have never been the subject of a bankruptcy petition.

#### **TRADE ERRORS**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

#### **CLASS ACTION LAWSUITS**

We do not determine if securities held by you are the subject of a class action lawsuit. Moreover, we do not determine whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf.

### **Item 10 Requirements for State-Registered Advisers**

Our firm is registered with the U.S. Securities and Exchange Commission and therefore we are not required to respond to this item.