

Newport Capital Group, LLC

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Brochure **Dated 3/15/2012**

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This Brochure provides information about the qualifications and business practices of Newport Capital Group, LLC (“Newport Capital”). If you have any questions about the contents of this Brochure, please contact us at (732) 741-8400 or ddipiero@newportcapitalgroup.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Newport Capital Group, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Newport Capital Group, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Newport Capital Group, LLC's disclosure statement since last year's Annual Amendment filing on March 31, 2011.

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Item 4 Advisory Business

- A. Newport Capital is a limited liability company formed on May 24, 2004 in the State of New Jersey. Newport Capital became registered as an Investment Adviser Firm in New Jersey in January 2008. Newport Capital is principally owned by Domenic DiPiero. Mr. DiPiero is also Newport Capital's Managing Member.
- B. As discussed below, Newport Capital offers to its clients (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage Newport Capital to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Newport Capital's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Newport Capital's management (between negotiable and 2.00%) and shall be set forth in the *Investment Advisory Agreement* between Newport Capital and the client. Newport Capital's fee schedule is as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
\$0 - \$999,999	2.00%
\$1,000,000 - \$2,000,000	1.5%
Above \$3,000,000	Negotiable

Newport Capital's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Newport Capital), Newport Capital may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

RETIREMENT CONSULTING

Newport Capital also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, Newport Capital shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between Newport Capital and the plan sponsor.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Newport Capital *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Newport Capital's planning and consulting fees are negotiable, but generally range from \$1,000 to \$100,000 on a fixed fee basis, and from \$200 (minimum) to \$2,000 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Newport Capital to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Newport Capital setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Newport Capital commencing services. If requested by the client, Newport Capital may recommend the services of other professionals for implementation purposes, including Newport Capital's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosure at Item 10 C.1 and 10 C.8). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Newport Capital. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Newport Capital if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Newport Capital's previous recommendations and/or services.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, Newport Capital *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Newport Capital, nor any of its representatives, serves as an attorney or accountant and no portion of Newport Capital's services should be construed as same. To the extent requested by a client, Newport Capital may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of Newport Capital in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Newport Capital. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Newport Capital if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Newport Capital's previous recommendations and/or services.

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage Newport Capital on a non-discretionary investment advisory basis **must be willing to accept** that Newport Capital cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Newport Capital will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

Private Investment Funds. Newport Capital, as part of an overall client asset allocation strategy, may recommend, on a non-discretionary basis, that the client consider allocating a portion of his/her/their/its investment assets among private investment funds and/or products on either a fee or commission basis. The advisory fee to be paid to Newport Capital is in addition to the fees to be paid to the investment fund sponsor and/or manager as set forth in the fund offering documents.

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that Newport Capital references private investment funds owned by the client on any supplemental account reports prepared by Newport Capital, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

FGI Opportunity Investment Fund, L.P. Newport Capital may also recommend that certain of its qualified clients consider an investment in FGI Opportunity Investment Fund, L.P. (the "Fund"), a private investment fund that is affiliated with, and operated by, David DiPiero, the brother of Domenic DiPiero, the President of Newport Capital, thereby creating a **conflict of interest** for Newport Capital when recommending that a client consider an investment in the Fund. In addition, Domenic DiPiero, the President of Newport Capital, is an employee of FGI Finance. FGI Finance has entered into a Servicing Agreement with the Fund, whereby FGI Finance performs certain operating functions with respect to the Fund's investments, thereby creating an additional economic incentive and even more material **conflict of interest** for Newport Capital when recommending that a client consider an investment in the Fund. Newport Capital does not have, nor will it exercise, any discretionary authority to place any client assets in the Fund. Rather, Newport Capital's role relative to the Fund shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a Fund investor, the amount of assets invested in the Fund shall be included as part of "assets under management" for purposes of Newport Capital calculating its investment advisory

fee. Investment in the Fund involves various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, as more fully discussed in the Fund offering documents, copies of which a prospective investor will receive prior to reaching a decision to purchase an interest in the Fund. Unlike other liquid investments that a client may maintain, the Fund does not provide daily liquidity or pricing. **Newport Capital's clients are under absolutely no obligation to consider or make an investment in the Fund.**

Trade Error Policy. Newport Capital shall reimburse accounts for losses resulting from Newport Capital's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within Newport Capital's custodian firm account and Newport Capital retains the net gains and losses.

Client Obligations. In performing its services, Newport Capital shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Newport Capital if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Newport Capital's previous recommendations and/or services.

Disclosure Statement. A copy of Newport Capital's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. Newport Capital shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Newport Capital shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on Newport Capital's services.
- D. Newport Capital does not participate in a wrap fee program.
- E. As of December 31, 2011, Newport Capital's had a total of \$1,341,452,023 in assets under management. Specifically, Newport Capital had \$118,105,023 in assets under management on a discretionary basis and \$1,223,347,000 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage Newport Capital to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage Newport Capital to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, Newport Capital's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Newport Capital's management (between negotiable and

2.00%) and shall be set forth in the *Investment Advisory Agreement* between Newport Capital and the client. Newport Capital's fee schedule is as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
\$0 - \$999,999	2.0%
\$1,000,000 - \$2,000,000	1.5%
Above \$3,000,000	Negotiable

Newport Capital's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Newport Capital), Newport Capital may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

RETIREMENT CONSULTING

Newport Capital also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, Newport Capital shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between Newport Capital and the plan sponsor.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Newport Capital *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Newport Capital's planning and consulting fees are negotiable, but generally range from \$1,000 to \$100,000 on a fixed fee basis, and from \$200 (minimum) to \$2,000 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Please Note: Hourly fees are charged as work is preformed and are due upon receipt of invoice. For fixed fee engagements, ½ of the agreed upon fee is due at the time the agreement is signed and the other ½ is due upon delivery of the written plan. If the plan is not delivered within six (6) months of date the agreement was signed, the client will receive a refund of the partial payment and entire payment to be due upon delivery of plan.

- B. Clients may elect to have Newport Capital's advisory fees deducted from their custodial account. Both Newport Capital's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Newport Capital's investment advisory fee and to directly remit that management fee to Newport Capital in compliance with regulatory procedures. In the limited event that Newport Capital bills the client directly, payment is due upon receipt of Newport Capital's invoice. Newport Capital shall deduct fees and/or bill clients quarterly

in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Newport Capital shall generally recommend that Pershing, LLC ("*Pershing*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Pershing* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Newport Capital's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Newport Capital's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Newport Capital does not generally require an annual minimum fee or asset level for investment advisory services. However, Newport Capital, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Newport Capital and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Newport Capital shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** Certain of Newport Capital's Principals and representatives, in their individual capacities, as registered representatives of NCG Securities, LLC ("*NCG*"), an affiliated SEC registered and FINRA member broker-dealer. As such these individuals are permitted to implement investment recommendations on a commission basis. In the event investment products are purchased through *NCG*, the client will incur, and *NCG* will receive, a brokerage commission. In addition, to the extent applicable, *NCG*, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
 - 1. **Conflict of Interest:** Newport Capital has a **conflict of interest** in the event that a client determines to purchase a commission product from *NCG* as a result of a recommendation from one of Newport Capital's representatives, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from *NCG*. **Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

2. **Please Note:** Clients may purchase investment products recommended by *NCG* through other, non-affiliated broker dealers or agents.
3. Newport Capital does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Newport Capital recommends to its clients.
4. If any of Newport Capital's representatives was to sell an investment product on a commission basis, Newport Capital does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Newport Capital's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However**, a client may engage Newport Capital to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Newport Capital's representatives on a separate commission basis.

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

Neither Newport Capital, nor any supervised person of Newport Capital, accepts performance-based fees.

Item 7 Types of Clients

Newport Capital's clients shall generally include individuals, pension and profit sharing plans, defined benefit and defined contribution plans, business entities, trusts, estates and charitable organizations. Newport Capital does not generally require an annual minimum fee or asset level for investment advisory services. However, Newport Capital, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Newport Capital may utilize the following methods of security analysis:
 - Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
 - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
 - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Newport Capital may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Newport Capital) will be profitable or equal any specific performance level(s).

- B. Newport Capital's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Newport Capital must have access to current/new market information. Newport Capital has no control over the dissemination rate of market information; therefore, unbeknownst to Newport Capital, certain analyses may be compiled with outdated market information, severely limiting the value of Newport Capital's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Newport Capital's primary investment strategies - Long Term Purchases and Short Term Purchases- are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Newport Capital may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Newport Capital in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Newport Capital may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Newport Capital. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Newport Capital shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Newport Capital is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Newport Capital, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Newport Capital primarily allocates client investment assets among various mutual funds and/or exchange traded funds ("ETFs"), money managers and alternative investments, on a discretionary and non-discretionary basis, in accordance with the client's designated investment objective(s).

Private Investment Funds. Newport Capital, as part of an overall client asset allocation strategy, may recommend, on a non-discretionary basis, that the client consider allocating a portion of his/her/their/its investment assets among private investment funds and/or products on a fee basis. The advisory fee to be paid to Newport Capital is in addition to the fees to be paid to the investment fund sponsor and/or manager as set forth in the fund offering documents.

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription

Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that Newport Capital references private investment funds owned by the client on any supplemental account reports prepared by Newport Capital, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

Item 9 Disciplinary Information

Newport Capital has not been the subject of a disciplinary action.

Item 10 Other Financial Industry Activities and Affiliations

- A. **Registered Representative of NCG.** As disclosed above in Item 5.E, certain of Newport Capital's Principals and representatives are also registered representatives of *NCG*, an SEC Registered and FINRA member broker-dealer.
- B. Neither Newport Capital, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
 - 1. **Registered Representatives of Broker-Dealer.** As disclosed above in Item 5.E, certain of Newport Capital's Principals and representatives, in their individual capacities, as registered representatives of *NCG*, an affiliated SEC registered and FINRA member broker-dealer. As such these individuals are permitted to implement investment recommendations on a commission basis. In the event investment products are purchased through *NCG*, the client will incur, and *NCG* will receive, a brokerage commission. In addition, to the extent applicable, *NCG*, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

Conflict of Interest: Newport Capital has a **conflict of interest** in the event that a client determines to purchase a commission product from *NCG* as a result of a recommendation from one of Newport Capital's representatives, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from *NCG*. **Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

Please Note: Clients may purchase investment products recommended by *NCG* through other, non-affiliated broker dealers or agents.

8. **Licensed Insurance Agents.** Newport Capital's Principal and certain Newport Capital's representatives are, in their individual capacities, licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Newport Capital's representatives to effect insurance transactions on a commission basis.

Conflict of Interest: The recommendation by either Newport Capital's Principal and certain representatives, that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Newport Capital's Principal and/or certain representatives. Clients are reminded that they may purchase insurance products recommended by Newport Capital through other, non-affiliated insurance agents. **Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. Newport Capital does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Newport Capital maintains an investment policy relative to personal securities transactions. This investment policy is part of Newport Capital's overall Code of Ethics, which serves to establish a standard of business conduct for all of Newport Capital's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Newport Capital also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Newport Capital or any person associated with Newport Capital.

- B. As set forth above, Newport Capital may also recommend that certain of its qualified clients consider an investment in FGI Opportunity Investment Fund, L.P. (the "Fund"), a private investment fund that is affiliated with, and operated by, David DiPiero, the brother of Domenic DiPiero, the President of Newport Capital, thereby creating a **conflict of interest** for Newport Capital when recommending that a client consider an investment in the Fund. In addition, Domenic DiPiero, the President of Newport Capital, is an employee of FGI Finance. FGI Finance has entered into a Servicing Agreement with the Fund, whereby FGI Finance performs certain operating functions with respect to the Fund's investments, thereby creating an additional economic incentive and even more material **conflict of interest** for Newport Capital when recommending that a client consider an investment in the Fund. Newport Capital does not have, nor will it exercise,

any discretionary authority to place any client assets in the Fund. Rather, Newport Capital's role relative to the Fund shall be limited to its initial and ongoing due diligence and investment monitoring services. **Newport Capital's clients are under absolutely no obligation to consider or make an investment in the Fund.**

- C. Newport Capital and/or representatives of Newport Capital *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Newport Capital and/or representatives of Newport Capital are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Newport Capital did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Newport Capital's clients) and other potentially abusive practices.

Newport Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Newport Capital's "Access Persons". Newport Capital's securities transaction policy requires that an Access Person of Newport Capital must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Newport Capital selects; provided, however that at any time that Newport Capital has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Newport Capital and/or representatives of Newport Capital *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Newport Capital and/or representatives of Newport Capital are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Newport Capital has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Newport Capital's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that Newport Capital recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Newport Capital to use a specific broker-dealer/custodian), Newport Capital generally recommends that investment management accounts be maintained at *Pershing*. Prior to engaging Newport Capital to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Newport Capital setting forth the terms and conditions under which Newport Capital shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Newport Capital considers in recommending *Pershing* (or any other broker-dealer/custodian to clients) include historical relationship with Newport Capital, financial

strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Newport Capital's clients shall comply with Newport Capital's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Newport Capital determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Newport Capital will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Newport Capital's investment management fee. Newport Capital's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Newport Capital may receive from *Pershing* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products (which may include direct monetary assistance from *Pershing* to obtain certain services or products), certain of which assist Newport Capital to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Newport Capital may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Newport Capital in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Newport Capital in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Newport Capital to manage and further develop its business enterprise.

Newport Capital's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by Newport Capital to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. Newport Capital does not receive referrals from broker-dealers.

3. Newport Capital does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Newport Capital will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Newport Capital. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Newport Capital to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Newport Capital.

Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that Newport Capital provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Newport Capital decides to purchase or sell the same securities for several clients at approximately the same time. Newport Capital may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Newport Capital's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Newport Capital shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Newport Capital provides investment supervisory services, account reviews are conducted on an ongoing basis by Newport Capital's Chief Compliance Officer and/or a qualified designee. All investment supervisory clients are advised that it remains their responsibility to advise Newport Capital of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to comprehensively review financial planning issues (to the extent applicable), investment objectives and account performance with Newport Capital on an annual basis.
- B. Newport Capital *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Newport Capital provides investment supervisory services may also receive a periodic report from Newport Capital summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, Newport Capital may receive an economic benefit from *Pershing*. Newport Capital, without cost (and/or at a discount), may receive support services and/or products from *Pershing* (which may include direct monetary assistance from *Pershing* to obtain certain services or products).

Newport Capital's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by Newport Capital to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. Newport Capital does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 Custody

Newport Capital shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Newport Capital may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that Newport Capital provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Newport Capital with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Newport Capital's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage Newport Capital to provide investment advisory services on a discretionary basis. Prior to Newport Capital assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Newport Capital as the client's attorney and agent in fact,

granting Newport Capital full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Newport Capital on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Newport Capital's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Newport Capital's use of margin, etc).

Item 17 Voting Client Securities

- A. Newport Capital does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Newport Capital to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. Newport Capital does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Newport Capital is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Newport Capital has not been the subject of a bankruptcy petition.

ANY QUESTIONS: Newport Capital's Chief Compliance Officer, Domenic DiPiero, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.