



**East Coast Asset Management, Inc.**

**16 Martin Street**

**Essex, MA 01929**

**(978) 801-0860**

**[www.eastcoastasset.com](http://www.eastcoastasset.com)**

**This brochure is current as of March 31, 2011**

**Item 1 – Cover Page**

This Brochure provides information about the qualifications and business practices of East Coast Asset Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 16 Martin Street, Essex, MA 01929 or at [cbegg@eastcoastasset.com](mailto:cbegg@eastcoastasset.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. ECAM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about us also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Christopher Begg at (978) 801-0513 or [cbegg@eastcoastasset.com](mailto:cbegg@eastcoastasset.com).

Additional information about us is also available via the SEC’s web site [\*\*www.adviserinfo.sec.gov\*\*](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with US who are registered, or are required to be registered, as investment adviser representatives of our firm. You can search this site by a unique identifying number, known as a CRD number. The CRD number for ECAM is 147910.

### **Item 3 -Table of Contents**

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients.....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	7
Item 10 – Other Financial Industry Activities and Affiliations .....	7
Item 11 – Code of Ethics .....	7
Item 12 – Brokerage Practices .....	8
Item 13 – Review of Accounts.....	13
Item 14 – Referrals and Other Compensation.....	13
Item 15 – Custody .....	13
Item 16 – Investment Discretion.....	13
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information .....	14

## **Item 4 – Advisory Business**

### **Investment Management and Financial Planning Services**

East Coast Asset Management, Inc. provides investment management and financial planning services to clients. We make every attempt to disclose all known material conflicts of interest that could impede the rendering of unbiased and objective advice. Although we will attempt to be proactive in adjusting a client's strategies, each client is responsible for updating us should their situation change or should they wish to receive a review of certain financial planning topics.

As of December 31, 2010, we manage \$132,339,361.71. This includes \$120,735,910.33 in discretionary accounts and \$11,603,451.38 in non discretionary accounts. The discretionary accounts total 290 and the non discretionary total 12.

We provide investment management services to individuals, businesses, partnerships, pension and profit sharing and other entities. We do this by attempting to understand our client's goals and needs and then executing an appropriate investment strategy. Our approach to investment management begins and ends with the following client objectives:

- Mitigate downside volatility
- Maximize compound annual rate of return
- Minimize all Fees
- Minimize Taxes

We adjust our overall strategy based on client discussions or general economic conditions that may warrant a change in the overall strategy. While we strive to provide a high level of service, it is always possible that lower fees for comparable services may be available from other sources.

We may also provide clients advice on a variety of non-inclusive financial planning topics, typically focused on the following areas:

- Asset allocation planning
- Retirement planning
- Estate Planning
- Risk Management

Depending on the client, we may determine which services are appropriate based on discussions about goals and needs. For clients who receive financial planning services, it is important to note that because we manage assets directly, a conflict of interest may exist with regard to how to implement any recommended asset allocation between using us or another firm. Furthermore, material conflicts of interest may arise from any of our principals acting as a financial planner, investment manager and tax preparer for the same client.

We also have affiliated accounting and legal firms that may provide tax preparation, financial planning and legal services to our clients. These services are provided independently from us by principals of the firm who maintain these outside practices. ECAM clients are under no obligation to utilize these other entities for other services.

### **Managed Account Programs and Non-Affiliated Managers**

We also participate in the selection of unaffiliated institutional caliber independent investment managers. Third party programs are generally wrap fee programs in which the client pays a single fee for the advisory services of a Separate Account Manager, execution of most securities transactions, custody of account assets, program administration, and monthly account statements. The client pays a separate fee to us for our services.

With the assistance of independent consulting firms, we will perform a comprehensive review of the money managers in the program. Consulting firms may also provide performance evaluations and quantitative and qualitative analysis of all managers considered for participation in the program. We will also rely on this information when reviewing managers. We may also conduct evaluation of other managers who will provide third party investment management services for clients.

Based on a client's individual circumstances and needs, we will determine which managers will provide appropriate portfolio management for the client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the Account Manager. We will provide the client with a copy of the disclosure document of each manager selected for the client containing a full description of the manager's services. We will telephone or meet with the client on a regular basis, or as determined by the client, to review the account. If we believe that a particular manager no longer meets the client's needs or is not performing adequately, then we may move the client's account to a new manager with or without the client's prior consent depending on the particular program that the client is participating in.

## **Item 5 – Fees and Compensation**

### **Investment Management and Financial Planning Services**

Annual fees are charged as follows:

<u>Assets Managed:</u>	<u>FEE</u>
Up to \$2,500,000	1.25%
\$2,500,000 - \$5,000,000	1.15%
\$5,000,000 - \$10,000,000	1.00%
\$10,000,000 or more	0.85%

Fees are negotiable and may be adjusted up or down based on a variety of factors. The fee schedule is graduated with additional funds qualifying for the next breakpoint although we reserve the right to simply charge a non-adjustable flat fee. Clients may be billed in advance or arrears depending on their own individual agreement with us and their preference. Clients will also pay the custodian a transaction fee that will generally average between \$7.95 and \$20.00 per trade. In some instances, it may be necessary for us to use an outside broker that would charge a higher commission. We do not use soft dollars and receive any compensation of any kind from using an outside broker but do so if we think it is in the best interest of the client with regard to the execution of some securities.

Clients may also elect to be billed directly for fees or to authorize US to directly debit fees from client accounts. Management fees shall not be prorated for each time additional funds were contributed or withdrawn during the quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty at any time.

Financial planning and 401(k) consultation services may also be provided on a negotiated flat fee or hourly basis. This fee is based on the general scope of the work. These fees may be charged by us or one of our affiliated firms. In general, fees may range from \$100 to \$250 per hour and flat fee engagements can range from \$500 to \$10,000 per year and up depending on the scope.

### **Managed Account Programs and Non-Affiliated Managers**

Clients will receive additional information about these programs from the disclosure brochure, Schedule H, provided by Schwab or any other sponsoring custodian and also from the disclosure documents of the selected advisor(s). The use of these programs may result in the client paying a higher total fee than other clients who do not utilize these managers. The separate management fee for these managers ranges from 0.50% to 2.00% depending on the manager. We generally charge an additional fee of 0.75% in addition to the outside manager's fee. We reserve the right to discount this fee on a case-by-case basis. The fee will be charged quarterly, in advance or arrears, and will be based upon the total market value of the account at the start or end of the period. Fees may be paid directly from the client's account with the client's authorization or billed separately. The minimum account size required for acceptance in these programs varies based on manager minimums.

Clients should be aware that there is an inherent conflict of interest for us when recommending separate managed accounts versus accounts managed by us as a result of the increased revenue received from accounts managed in-house as opposed to management by outside firms. The use of outside managers may or may not mean that a client is entering into a wrap fee account. WE will consult with the client so they can determine if they would prefer to have the transaction costs wrapped into the fee or billed separately. A "Wrap fee" account is one in which the trading costs are included in a flat fee charged by the custodian or manager.

For wrap fee accounts, the custodian's fee is deducted from the client accounts, in arrears, at the end of each month. Certain transaction costs may be incurred which are not included within the wrap fee. The types of transactions to which additional fees may apply are described in the custodian's Schedule H Brochure. In evaluating a wrap fee arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by us. Transactions are generally effected "net," i.e., without commission, and a portion of the wrap fee is generally considered as being in lieu of commissions.

### **General Information on Fees**

We never charge fees based on the capital gains or the capital appreciation of any funds or any part of any funds of any client. Our fees are based on a percentage of the assets managements and/or flat rate or hourly financial planning fees.

A client agreement may be canceled at any time, by either party but must be promptly followed up in writing if termination is oral. The termination will be effective at the close of business on the day notice was received. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund (including exchange traded funds) directly without our services. In that case, the client would not receive our advice which among other things, is designed to help the client select which mutual fund or funds are most appropriate to each client's financial condition and objectives. The client should review both the fees charged by the funds and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we do not receive any portion of these commissions, fees, and costs. Please refer to Item 12 for information on our brokerage practices.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

We provide portfolio management services to individuals, high net worth individuals, institutions, foundations, endowments, municipalities,

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

We utilize a combination of fundamental and technical analysis in determining which individual securities to purchase for clients and the general timing of purchasing or selling those securities. We attempt to gain a thorough understanding of its clients risk tolerance and time horizon to help them create a mutually agreed upon asset allocation. We then work with the client to implement and monitor the overall allocation and manage any accounts that a client directs should come under our discretionary control.

We utilize a combination of strategies including the purchase of individual stocks, bonds, exchange traded funds and mutual funds and cash. We will invest in strategies that only use one asset class or a combination of them. While we generally seek to be long term investors, we may use individual funds, exchange traded funds or outside managers that use more event driven strategies such as options.

It is important to note that investing in securities and other equity and fixed income investments involves risk of loss that clients should be prepared to bear. Asset allocation, diversification or other strategies cannot eliminate risk of loss from investing no matter how conservative.

The following paragraphs relate to other strategies that would not be employed by us unless it was discussed with the client and detailed in a formal investment policy statement or confirmation letter. ECAM may invest, from time to time, in options and derivative instruments, including buying and writing puts and calls on some of the securities held by client accounts in an attempt to supplement income derived from those securities. The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold.



A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. If a put or call option purchased on behalf of a client account by ECAM were permitted to expire without being sold or exercised, the client account would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold on behalf of the client account at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold on behalf of the client account at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the client account of all or a substantial portion of its assets.

Swapps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

The mutual funds and ETFs utilized by ECAM may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in ECAM’s investment strategies are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds including Treasury Inflation Protected Securities or TIPS) present the risk of loss of purchasing power through lower expected return, increases in interest rates or through inflation. This risk is greatest for longer-term bonds but there is risk associated with all fixed income investments.

Certain funds utilized by ECAM may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in mutual fund prospectuses within each applicable sector.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information applicable to this Item.

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

We have principals that maintain separate accounting and legal practices. All clients are required to enter into a separate engagement with the affiliated firm or we will enter into a separate engagement for purposes of providing services to our own clients through the affiliated entities. Clients are under no obligation to utilize any of these affiliated entities. Any of these entities may refer clients to ECAM and vice versa. However, no compensation of any kind is paid by any firms for referrals.

### **Item 11 – Code of Ethics**

We have established a Code of Ethics. This Code of Ethics is available for review by contacting the Chief Compliance Officer or by sending a written request to us at 16 Martin Street, Essex, MA 01929. The Code of Ethics restricts certain gifts and entertainment that is related to client accounts and vendors. It also establishes stringent confidentiality requirements. We also require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. In addition, we prohibit employees from receiving gifts that may affect the advice that they provide to clients.

This Code also establishes that employees may not trade in individual equities on the same day that it is trading in client accounts unless they are part of the Russell 1000. This does not apply to accounts that are managed by third party managers. Employees may trade in Exchange Traded funds, individual bonds and mutual funds at any time so long as clients are not negatively impacted. We also maintain a pre-clearance requirement for any securities that are not listed on the Russell 1000.

The core principal of our Code is that no employee shall prefer his or her own interest to that of an advisory client. It is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing

employees to invest for their own accounts. It is possible that we may be investing in the same securities as our clients. We think this is permissible so long as the client's interests always come first.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order. Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Christopher Begg.

## **Item 12 – Brokerage Practices**

For discretionary clients, we require written authority to determine which securities are bought or sold and the amounts thereof. In this written authority statement, all limitations on the discretionary authority, if any, shall be defined. Clients may retain the right to vote securities, can withdraw securities and/or cash at any time, and may impose restrictions on the purchase and/or sale of securities, industries, sectors, and asset classes.

In selecting our firm, clients are generally requesting that Charles Schwab, TD Ameritrade or Fidelity provide brokerage and/or custodial services. We are not affiliated with any of these broker-dealers and utilize them as choices for clients based upon experience with these firms and on the value of the services and/or research provided by these firms. We do maintain the occasional account at an outside custodian but only when those accounts cannot be held elsewhere.

We will engage in "block trading" where possible and when advantageous to clients. This means that we purchase a large block of shares and then allocate those shares among the clients. Regarding aggregated "block trades," we operate so that no advisory account will be favored over any other account participating in the aggregated order. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared based on their participation in the trade within the same group of clients at the same custodian. We rotate the order of trades that we place with each custodian.

It is our policy that the firm will not affect any principal or agency cross securities transactions for client accounts. We will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the

transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### **Soft Dollar**

We **do not** engage in soft dollar trading.

### **Prime Brokerage and Best Execution**

We will generally trade exclusively through a client's directed custodian for all trades. We generally recommend that clients utilize Charles Schwab, Fidelity or TD Ameritrade as their custodian. We have evaluated these custodians/brokers and believe that they will provide our clients with an appropriate blend of execution services, commission costs and professionalism. See our discussion below on these institutional service providers. We will generally trade through the custodian/broker regardless of whether a client has an active prime brokerage agreement in place allowing us to use outside brokers. As a result it should be understood that we will likely not negotiate commissions or obtain volume discounts beyond those already offered by the custodian/broker. We do think that given the additional costs of using outside brokers along with our own custodians' resources and commitment to providing appropriate execution that we are fulfilling our obligation to seek best execution by trading directly through them. In addition, we independently review the execution of the custodians on a periodic basis and also review their own internal documentation of their trading capabilities.

While we have a reasonable belief that the custodian/broker is able to obtain best execution and competitive prices, we will not be independently seeking best execution price capability through other broker dealers. In selecting the custodian/broker, you generally have the responsibility for negotiating commission rates and other transaction costs with the custodian/broker. Often these rates are based on the client either using their electronic document delivery platform or maintaining a minimum account balance with the custodian. If you have question on which custodian may make the most sense given all the facts and circumstances of your own situation, please contact us.

Although the clients may have selected a custodian/broker and we generally trade through their broker, we will not trade through the custodian/broker if we reasonably believe that it may result in a breach of our fiduciary duty. For example, we may use an outside broker for fixed income transactions if we think it is in the client's best interests and if the client has executed a prime brokerage agreement. Please note that because we will be executing all transactions through the custodian/broker, a disparity may exist between the commissions borne by your account and the commissions borne by our other clients that direct us to use another particular broker-dealer.

While we are comfortable in the custodians we utilize, you should note that some differences may exist based on the assets our clients maintain at each. You may forego benefits that we may be able to obtain for other clients through, for example, negotiating volume discounts or block trades if your assets are held at one of our smaller custodial relationships. This may come into

play if you are part of a smaller group at one custodian while we have a larger number of clients at a different custodian.

### **Institutional Custody Programs**

We do not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account or if we serve as a trustee or other similar position. Your assets must be maintained in an account at a “qualified custodian,” generally a broker dealer or bank. As discussed above, we recommend that our clients use Charles Schwab, Fidelity or TD Ameritrade. These are registered broker-dealers and members Of SIPC. We are independently owned and operated and are not affiliated with any of them. They will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use one of them as a custodian/broker, you will decide whether to do so and will open your account with them by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

### **How We Select Brokers/Custodians to Recommend?**

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for the custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

### **Your Brokerage and Custody Costs**

For our clients’ accounts that the broker/custodian maintains, they generally do not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account. In addition, the custodian/broker may

charge you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs and because of the execution we think our custodians provide, we execute most trades for your account through the custodian.

We have determined that having your custodian execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

### **Products and Services Available to us from institutional custodians.**

Fidelity, Charles Schwab & Co., and TD Ameritrade provide us and our clients with access to its institutional brokerage, trading, custody, reporting, and related services—many of which are not typically available to their retail customers. They also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total minimum asset level.

### **Services That Benefit You.**

Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the custodian and include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

### **Services That May Not Directly Benefit You.**

The custodians also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at the particular custodian providing the research. In addition to investment research, they also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts

- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only us.
- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers, discount or waive its fees for some of these services or pay all or a part of a third party's fees. They may also provide us with other benefits, such as occasional business entertainment of our personnel.

While we allow our clients to select among our custodial partners, in limited circumstances, we may require that a client maintain an account with a particular custodian if that custodian was the only viable option for providing a necessary service. For example, trust reporting or other client specific services.

### **Trading In Managed Account Programs**

Trades are generally expected to be executed only with the broker-dealer with which the client has entered into the wrap arrangement, so that the Separate Account Manager may not be free to seek best price and execution by placing transactions with other broker-dealers. Accordingly, the client may wish to satisfy himself that the broker-dealer offering the wrap fee arrangement can provide adequate price and execution of most or all transactions. The client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if an adviser were free to negotiate commissions and seek best price and execution of transactions for the client's account.

Trades executed by outside managers may have different execution and costs than those executed by us. Clients should refer to the disclosure document(s) of separate account manager(s) and the Schwab and T.D. Ameritrade Schedule H Wrap Fee Brochure for information on the brokerage practices of managers participating in these programs. Generally, the trading costs are wrapped into the overall fee charged by the manager or custodian.

We may have the ability to hire or fire a manager in these programs. Under very limited circumstances, this discretionary authority may be extended to our having the ability to select the broker-dealer to be used for client account trades. This discretionary authority will only be taken to the extent that we are able, by means of this discretionary authority, to affect the use of a particular broker through the hiring and firing of a particular investment adviser. Under no circumstances will we take the authority to select the broker or dealer that one of the selected investment advisers must use.

### **Item 13 – Review of Accounts**

All investment positions are monitored on regular basis both prior to meetings and on a regular basis to insure that they still meet suitability requirement.

Separately Managed Accounts: we discuss these accounts with the clients on a regular basis, or as determined by the client to review the account. Among the topics, the appropriateness of the selected advisors(s), from an asset allocation perspective and the performance of the advisor(s) will be reviewed.

Financial Planning: Financial Planning reviews will be conducted as requested for at the start of the relationship. In general, the frequency and depth of any review or contact is dependent upon the nature of the financial issues faced by the client and their appropriateness for review at any given time.

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

We do not have any solicitor arrangements.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

While we do not traditionally seek to take custody, we may be deemed to have custody by the fact that a principal or affiliated person serves as trustee, power holder or in another similar role. For these accounts, we have contracted with an outside accounting firm to provide an annual surprise audit in compliance with current SEC regulations.

### **Item 16 – Investment Discretion**

We usually receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.



Investment guidelines and restrictions must be provided to us in writing. While we maintain written internal records of our clients' investment objectives, we may or may not require clients to sign a formal investment policy statement.

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

We vote client Proxies. Absent specific voting guidelines from the client, we vote proxies in the best interest of the clients. Our policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions. We will generally vote in favor of routine corporate proposals. We will also generally vote against proposals that would cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, we will further consider the opinion of management and the effect on management, and the effect of shareholder value and the issuer's business practice. Since we may invest client assets in holding listed on a foreign exchange, it is possible that we will not receive proxy information until after a deadline to vote the proxy.

We maintain copies of client proxies and records how they were voted. Clients may obtain information on how their proxies were voted on request. Clients who would like to vote their own proxies should contact us. We utilize outside proxy voting services to help us fulfill our obligations in this area.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.