

**Bolthouse Investments, LLC**  
**dba Bolthouse Investment Management Services**

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**Form ADV, Part 2A Brochure**

January 3, 2017

This brochure provides information about the qualifications and business practices of Bolthouse Investment Management Services. If you have any questions about the contents of this brochure, please contact us at (661) 326-6357. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Bolthouse Investment Management Services or any person associated with Bolthouse Investment Management Services has achieved a certain level of skill or training.

Additional information about Bolthouse Investment Management Services is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

**Revised January 3, 2017**

The purpose of this page is to inform you of material changes since the previous annual update of Bolthouse Investments' brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Bolthouse Investments reviews and updates our brochure at least annually to confirm that it remains current. Since the annual update to our brochure dated March 30, 2016, the following material changes have occurred:

As of December 2, 2016, the primary business address was changed to 11601 Bolthouse Drive, Suite 210, Bakersfield, CA 93311 and the mailing address to P.O. Box 21476, Bakersfield, CA 93390.

As of December 28, 2016, the primary business name was changed from Bolthouse Investments, LLC to Bolthouse Investment Management Services.

## ITEM 3 - TABLE OF CONTENTS

<b>ITEM 1 - COVER PAGE.....</b>	<b>1</b>
<b>ITEM 2 - MATERIAL CHANGES.....</b>	<b>2</b>
<b>ITEM 3 - TABLE OF CONTENTS.....</b>	<b>3</b>
<b>ITEM 4 - ADVISORY BUSINESS.....</b>	<b>6</b>
Description of Advisory Firm .....	6
Advisory Services Offered.....	6
Investment Management Services.....	6
Consulting Services.....	8
Limitations on Investments.....	8
Non-Managed Assets .....	9
Tailored Services and Client Imposed Restrictions.....	9
Assets Under Management .....	9
<b>ITEM 5 - FEES AND COMPENSATION .....</b>	<b>10</b>
Fee Schedule.....	10
Investment Management Services.....	10
Consulting Services.....	10
Billing Method .....	10
Investment Management Services.....	10
Consulting/ Services .....	11
Other Fees and Expenses.....	11
Termination .....	11
<b>ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>12</b>
<b>ITEM 7 - TYPES OF CLIENTS .....</b>	<b>12</b>
Account Requirements .....	12
<b>ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>12</b>
Methods of Analysis and Investment Strategies .....	12
General Investment Strategies.....	12
Methods of Analysis for Selecting Investments .....	13
Third-Party Advisors .....	14
Investing Involves Risk.....	14

Specific Security Risks .....	14
General Risks of Owning Securities .....	14
Mutual Funds (Open-end Investment Company) .....	15
Different Types of Funds .....	16
Deeds of Trust .....	20
Private Funds.....	21
Investing Outside the U.S. ....	21
Cash and Cash Equivalents .....	22
<b>ITEM 9 - DISCIPLINARY INFORMATION.....</b>	<b>23</b>
<b>ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>23</b>
Proprietary Private Funds .....	23
<b>ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>24</b>
Code of Ethics .....	24
Personal Trading Practices .....	24
Participation or Interest in Client Transactions.....	26
Principal Transactions .....	26
Cross Transactions.....	27
<b>ITEM 12 – BROKERAGE PRACTICES.....</b>	<b>27</b>
Factors Considered in Selecting Broker-Dealers/Custodians for Client Transactions.....	27
Research and Other Benefits .....	28
Brokerage for Client Referrals.....	28
Directed Brokerage Transactions .....	29
Aggregation and Allocation of Transactions.....	29
<b>ITEM 13 - REVIEW OF ACCOUNTS.....</b>	<b>29</b>
Managed Account Reviews .....	29
Fund Reviews.....	30
Account Reporting .....	30
<b>ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>30</b>
Schwab Support Products and Services.....	30
<b>ITEM 15 - CUSTODY.....</b>	<b>30</b>
<b>ITEM 16 - INVESTMENT DISCRETION .....</b>	<b>31</b>

<b>ITEM 17 - VOTING CLIENT SECURITIES.....</b>	<b>31</b>
<b>Proxy Voting.....</b>	<b>31</b>
<b>Class Actions .....</b>	<b>33</b>
<b>ITEM 18 - FINANCIAL INFORMATION .....</b>	<b>33</b>

## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Bolthouse Investments, LLC dba Bolthouse Investment Management Services ("Bolthouse Investments," "we," "our," "the firm" or "us") is a privately owned limited liability company headquartered in Bakersfield, California. Bolthouse Investments is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC").

Bolthouse Investments was established in March 2008, in anticipation of registration with the SEC, to carry on the investment advisory business previously conducted by Bolthouse Properties, LLC ("Bolthouse Properties"). Registered with the SEC in March 2012, Bolthouse Investments is wholly owned by Bolthouse Properties, which in turn is primarily owned by members of the Bolthouse family.

### Advisory Services Offered

Bolthouse Investments offers the following services to advisory clients:

#### Investment Management Services

Bolthouse Investments offers advice to clients regarding asset allocation and the selection of investments. Investment management services are provided primarily through two private partnerships (equity and fixed income) organized by Bolthouse Investments (the "Funds"). Assets in the Funds are invested either with third-party advisors or in mutual funds selected by us. We provide continuous and regular investment supervisory services on a fully discretionary basis, limited only by the client's individual needs and any restrictions imposed on the account.

The Funds are available only to "Accredited Investors," as the term is defined by Rule 501 of the Securities Act of 1933. Additional information on each Fund is provided in the offering documents for that Fund. This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, interests in the Funds. Such an offer can only occur when the prospective investor receives the offering documents.

The third-party advisors and mutual funds selected by Bolthouse Investments will primarily utilize the following investment types when making investment purchases for the Funds:

1. Equity securities, including stocks and foreign securities listed on US exchanges (ADRs) and/or foreign exchanges (ordinaries)
2. Fixed income securities, including corporate bonds, commercial paper, and certificates of deposit (CDs)
3. Securities with equity and debt characteristics, including convertible bonds, preferred stocks or other preferred securities
4. Municipal securities
5. U.S. government securities
6. Mutual funds

7. Exchange traded funds (ETFs)
8. Money market funds and cash

Additionally, our investment selections, depending on the individual investment objectives and needs of the client, may include:

1. Equity securities, including stocks and foreign securities listed on US exchanges (ADRs) and/or foreign exchanges (ordinaries)
2. Fixed income securities, including U.S. government securities, municipal securities, corporate bonds, commercial paper, and certificates of deposit (CDs)
3. Securities with equity and debt characteristics, including convertible bonds, preferred stocks or other preferred securities
4. Mutual funds
5. Exchange traded funds (ETFs)
6. Real estate investment trusts (REITs)
7. Promissory Notes
8. Closed-end funds
9. Money market funds and cash
10. Variable annuities
11. Deeds of trust
12. Interest in partnerships and other entities investing in real estate, oil and gas interests, leases
13. Master limited partnerships (MLPs)
14. Private Funds
15. Exchange traded notes (ETNs)
16. Unit investment trusts (UITs)
17. Warrants and rights
18. Insurance products, including variable life insurance
19. Viaticals
20. Options contracts on securities and commodities
21. Futures Contracts
22. Managed futures accounts
23. Tenant-in-common (TIC)
24. Limited Liability company interests (LLC)
25. Treasury inflation-protected securities (TIPS)
26. Inflation-indexed bonds
27. Other investments

Bolthouse Investments may also occasionally utilize additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. Bolthouse Investments may offer investment advice on any investment held by the client. We describe the material investment risks for many of the securities that we utilize under the heading ***Specific Security Risks*** in ***Item 8*** below.

We may also offer non-discretionary services depending on client circumstances. We discuss our discretionary authority below under **Item 16 - Investment Discretion**. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below.

We describe the fees charged for investment management services below under **Item 5 - Fees and Compensation**.

### Consulting Services

Bolthouse Investments may, from time to time, offer financial consulting as requested by the client. We describe the fees charged for consulting services below under **Item 5 - Fees and Compensation**.

### Limitations on Investments

In the following circumstances, Bolthouse Investments' advice may be limited to certain types of securities:

#### **Limitation by Plan Sponsor/Employer**

When we provide services to a retirement plan such as a 401(k), 403(b), or other employer plan, we are limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, Bolthouse Investments can only select investments/make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

#### **Limitation by Issuer**

When we manage assets within an annuity, we are limited to those investment options made available by the insurance company.

#### **Limitation by Custodian**

There may also be limitations on the securities Bolthouse Investments may utilize in a client's account based on limitations imposed by the broker-dealer/custodian holding the account. Bolthouse Investments encourages clients to establish brokerage accounts with Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealer, Member SIPC. Schwab offers a broad range of investment products, but we may occasionally recommend a security for the client that Schwab does not have available. We can purchase the securities from another firm and have them transferred to the client's Schwab account, but Schwab may charge the client additional fees. Bolthouse Investments considers these fees when we recommend outside securities.

#### **Limitation by Client**

Bolthouse Investments may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this Item below.



### Non-Managed Assets

With respect to investment management services, Bolthouse Investments will only be responsible for the supervision and management of securities and other investments we recommend or select. Bolthouse Investments will not be responsible for the supervision or management of non-managed assets. Non-managed assets may include securities held in a client's account that is under management with Bolthouse Investments that were:

1. Delivered into the account by the client;
2. Purchased by the client;
3. Purchased by Bolthouse Investments at the request of the client as an accommodation; or
4. Designated by the client to be non-managed securities by written notification.

We do not provide investment advice regarding that portion of the client's managed account designated as non-managed assets, nor do we provide opinions as to the merits of any non-managed asset held in the account. We also do not make any judgments as to the appropriateness of assumed risk or suitability of any non-managed investment given the client's situation. Bolthouse Investments offers this service at no charge and at our discretion, in consideration of other accounts that we manage for the client.

### **Tailored Services and Client Imposed Restrictions**

Bolthouse Investments applies a customized investment strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our investment selections may not be suitable if the client does not provide us with accurate and complete information. It is the client's responsibility to keep Bolthouse Investments informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want Bolthouse Investments to buy or sell certain specific securities or security types in the account. Bolthouse Investments reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy. Clients may not impose restrictions on the investments selected for the Funds, as the Funds are pooled investment vehicles.

### **Assets Under Management**

Bolthouse Investments manages client assets in both discretionary and non-discretionary accounts on a continuous and regular basis. As of 12/31/2015, the total amount of assets under our management was:

Discretionary Assets	\$333,457,494
Non-Discretionary Assets	\$ 47,831,102
Total Assets	\$ 381,288,596

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

#### Investment Management Services

Bolthouse Investments charges an asset management fee for investment management services. Our fee is generally 0.30% of the market value of the managed portion of a client's portfolio, including the market value of the client's interests (if any) in the Funds. Bolthouse Investments does not charge the Funds any management fees. For more information about fees and expenses paid by the Funds to third-party advisors, see **Other Fees and Expenses** in this Item below.

Some accounts may be under different fee schedules honoring prior agreements. Our standard fee schedule may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, Bolthouse family accounts, and other structures that we may consider in special situations. In most circumstances, the client's quarterly fee calculation will reflect any pro-rated additions and/or reductions.

#### Consulting Services

At a client's request, Bolthouse Investments may offer consulting services at an hourly rate to be negotiated at the time. The hourly rate will depend on the nature and complexity of each client's circumstances. In these instances, we will provide an estimate of the total hours required at the start of the relationship. Bolthouse Investments may also provide consulting services at a reduced rate or free of charge for certain clients (such as family members).

### Billing Method

#### Investment Management Services

Bolthouse Investments' advisory fees are payable quarterly in arrears based on the account market value on the last day of the calendar quarter (usually subject to adjustment for cash flows). The basic formula used for the calculation is as follows:  $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 4$ .

For new client accounts, the first payment is a pro-rata calculation that takes into consideration the number of calendar days in the quarter after the funding date, and the quarter-end value of the portfolio. The formula used to calculate the initial advisory fee would be as follows:  $(\text{Result of Quarterly Calculation}) \times (\text{Number of Days in Quarter After Funding Date}) / (\text{Total Number of Days in Quarter})$ . For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays.

Bolthouse Investments sends a quarterly fee statement to all clients. The quarterly fee statement shows the amount of the fee, the value of the client's assets upon which we based the fee, and the specific manner in which we calculated the fee. It is up to the client whether they wish to have the advisory fees

withdrawn directly from their custodian account or pay by check. It is the client's responsibility to verify the accuracy of the fee calculation.

With client authorization, Bolthouse Investments will instruct the custodian to withdraw our advisory fee from the client's account on a quarterly basis. Typically, the custodian withdraws advisory fees from the client's account during the first or second month of each quarter based on our instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account.

For clients who choose not to have advisory fees withdrawn directly from their custodian account, fees are payable upon receipt of the quarterly fee statement.

### Consulting/ Services

Hourly fees are payable quarterly in arrears based on the hours billed for that quarter.

### **Other Fees and Expenses**

Bolthouse Investments' fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, margin charges, foreign exchange and settlement fees, and/or other charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition to the fees client pays to Bolthouse Investments. See **Item 12 - Brokerage Practices** below for more information.

All fees paid to Bolthouse Investments for investment advisory services are separate and distinct from the fees and expenses charged by third-party advisors to our clients and the Funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares, including clients and the Funds. In some instances, mutual fund shares held in a client's account or the Funds could also be subject to deferred sales charges, 12b-1 fees, early redemption fees, and other fund-related expenses. The mutual fund's prospectus fully describes the fees and expenses.

A client could invest with a third-party advisor or in a mutual fund directly, without using our services. In that case, however, the client would not receive the services we provide, which include negotiating fee reductions when possible and determining which third-party advisors or mutual funds we feel are most appropriate to the Funds' objectives or, in the case of a direct investment in a client account, the client's financial condition and objectives. Accordingly, clients should review both the fees charged by the third-party advisors and mutual funds, and the advisory fees we charge, to understand the total amount of fees the client will pay and evaluate the advisory services we provide accordingly.

### **Termination**

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Bolthouse Investments at our

office. Investments in the Funds may be withdrawn on designated withdrawal dates, upon a specified number of days' prior written notice, all as set forth in the applicable Fund documents.

Upon notice of termination, Bolthouse Investments will calculate the final fees due for services provided through the date of termination. Any advisory fees that we have earned for the services provided will be due upon termination.

Terminations will not affect liabilities or obligations from transactions initiated in client accounts prior to termination. In the event the client terminates the investment advisory agreement, Bolthouse Investments will not liquidate any securities in the account unless instructed by the client to do so. In the event of client's death or disability, Bolthouse Investments will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Bolthouse Investments does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7 - TYPES OF CLIENTS**

Bolthouse Investments provides discretionary and non-discretionary investment advisory services to the Funds, individuals, high net worth individuals, trusts and estates, individual participants of retirement plans, pension and profit sharing plans, charitable organizations and corporate/institutional clients.

### **Account Requirements**

Generally, Bolthouse Investments requires clients to maintain a minimum account size of \$500,000. Bolthouse Investments may reduce or waive the account minimum requirements at our discretion.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

#### ***General Investment Strategies***

Bolthouse Investments generally uses diversification in an effort to minimize risk and optimize the potential return of a portfolio. More specifically, we utilize the Funds to diversify our clients' portfolios across multiple asset classes, investment styles, market capitalizations, sectors, and regions. We primarily select active third-party advisors, and mutual funds that employ active management strategies, in an effort to optimize the Funds' portfolios. In the future, however, we may consider including passively managed investments as well.

Each client's portfolio composition, including allocation between the Funds, is determined in accordance with the client's investment objectives, risk tolerance, and time horizon. Even when managing client

investments outside of the Funds, Bolthouse Investments generally selects third-party advisors and mutual funds to manage the client's portfolio, based on the client's investment objectives and financial situation. At times, Bolthouse Investments may recommend private placements and/or IPOs for clients that meet certain net worth or other accreditation requirements and/or for clients who have a sufficient high tolerance for risk.

### *Methods of Analysis for Selecting Investments*

Bolthouse Investments generally uses fundamental analysis in the selection of investment classes and allocations, in an effort to capture some of a market's upside while attempting to limit the downside. Additionally, Bolthouse Investments may use specific strategies or resources in the method of analysis and selection of third-party advisors and mutual funds.

### **Fundamental Analysis**

Bolthouse Investments selects third-party advisors and mutual funds by analyzing public and private research sources. We review key characteristics including historical performance, consistency of returns, risk level, and size of fund. Expense ratio and other costs are also significant factors in third-party advisor and fund selection.

### **Specific Investment Strategies for Managing Portfolios**

#### *Diversification*

Bolthouse Investments' strategy consists of purchasing, holding, and rebalancing a diversified portfolio of investments. Bolthouse Investments' goal of diversification is to help minimize risk and optimize the potential return of a portfolio.

#### *Long-Term Holding*

Bolthouse Investments typically intends to hold these investments for the long term except when sales are necessary to rebalance the portfolio or to fund replacement acquisitions.

Bolthouse Investments does not attempt to time short-term market swings. Short term buying and selling of investments is typically limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

#### *Additional Strategies*

While Bolthouse Investments does not specifically use the investment strategies listed below, we may recommend mutual funds or third-party advisors who use these strategies in their management of the Funds or client accounts. These may include but are not limited to the following:

1. Concentrated portfolios
2. Cash as a strategic asset
3. Short-term trading
4. Tactical asset allocation
5. Option strategies
6. Market timing

7. Trend methodology
8. Defensive strategies
9. Hedging
10. Leverage
11. Margin
12. Inverse/enhanced market strategies
13. Reverse convertible notes
14. Short-selling

Clients interested in learning more about any of the above strategies should contact us for more information and/or refer to the prospectus of any mutual fund or the disclosure brochure of the third-party advisor. We may also consider additional strategies by specific client request.

### Third-Party Advisors

Bolthouse Investments utilizes third-party advisors for the Funds (and for client accounts based on the client's investment objectives and financial situation), based on the third-party advisor's management style. The third-party advisors we recommend to clients and select for the Funds must maintain proper and current licensing/registration, as applicable to each third-party advisor.

## **Investing Involves Risk**

Prior to entering into an agreement with Bolthouse Investments, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are available for investment on a long-term basis.

Investment in private funds such as the Funds is speculative and involves a substantial degree of risk, which is why investing in private funds may not be suitable for all investors and is intended for sophisticated investors who can accept the risks associated with its investments. The investments may lose all or a substantial portion of their value, and investors must be prepared to bear the risk of loss of their investments. Investors will not have recourse except with respect to the assets of the fund. The Fund documents outline important information for investors. Investors should review all Fund documents carefully and should consider conducting additional due diligence before investing in any private fund.

## **Specific Security Risks**

### General Risks of Owning Securities

The prices of securities held in the Funds and in client accounts, and the income they generate, may decline in response to certain events taking place around the world. These include events directly

involving the issuers of securities held as underlying assets in the Funds or a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

#### *Professionally Managed*

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

#### *Diversification*

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

#### *Affordability*

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

#### *Liquidity*

Generally, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption. Less frequently, some mutual funds have the option to redeem shares using the underlying stocks in the fund's portfolio, or may delay redemption for a defined period.

Mutual funds also have features that some investors might view as disadvantages:

#### *Costs Despite Negative Returns*

Mutual funds pay operating and other expenses from fund assets regardless of how the fund performs, which are indirectly charged to all holders of the mutual fund shares. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### *Lack of Control*

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### *Price Uncertainty*

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### *Different Types of Funds*

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories: money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

### **Money Market Funds**

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. and foreign corporations, state and local governments, and bank issued certificates of deposit. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

### **Bond Funds**

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

### *Credit Risk*

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is



less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

#### *Interest Rate Risk*

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

#### *Prepayment Risk*

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### **Stock Funds**

A stock fund’s value can rise and fall quickly (and dramatically) over the short term but may demonstrate more stability over the long-term. Overall “market risk” poses the greatest potential danger for investors in stock funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same.

For example:

#### *Growth Funds*

Growth funds focus on stocks that generally do not pay a regular dividend but that have the potential for large capital gains. These funds favor companies expected to grow earnings, which could result in stock prices rising faster than the economy, and may be smaller and less seasoned companies. The smaller and less seasoned companies that may be in a growth fund have a greater risk of price volatility. Growth stocks, sometimes priced on future expectations rather than current results, may decline substantially from unmet expectations or general weakened market conditions.

#### *Equity Income Funds*

Equity income funds stress current income over growth, and may invest in stocks that pay regular dividends. These funds are subject to dividend payout risk, which is the possibility that a number of the companies in which the fund invests will reduce or eliminate the dividend on the securities held by the fund.

#### *Small Cap Funds*

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure than larger, well-established blue chip companies do. Historically, smaller company stocks have experienced a greater degree of market volatility than the overall market average.

### *Mid Cap Funds*

Funds that invest in companies with mid-range market capitalizations involve additional risks. The securities of these companies may be more volatile than the securities of larger companies and contain less liquidity in securities markets.

### *Index Funds*

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all or a representative sample of the companies included in an index.

### *International Funds*

International investments are subject to additional risks, including currency fluctuation, political instability, and potentially illiquid markets.

### *Emerging Market Funds*

Funds that invest in foreign securities of smaller, less-developed countries involve special additional risks. These risks include but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

### *Sector Funds*

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk. For example, products of companies held by technology funds may be subject to severe competition and rapid obsolescence.

## **Real Estate Investment Trust (REIT) Funds**

REIT Funds include individual REIT shares within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. Risks of REIT investments include illiquidity and interest rate risk.

## **Real Estate Funds**

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

## **Absolute Return Funds**

Absolute return looks at the appreciation or depreciation (expressed as a percentage) that a fund achieves over a given period. Absolute return differs from relative return because it is concerned with the return of a particular asset and does not compare it to any other measure or benchmark. In general, a mutual fund seeks to produce returns that are better than its peers, its fund category, and/or the market as a whole. As an investment vehicle, an absolute return fund seeks to make positive returns by employing investment management techniques that differ from traditional funds, such as short selling, futures, options, derivatives, arbitrage, leverage, and unconventional assets.

## **Satellite Funds**

Satellite investing is a method of portfolio construction designed to minimize costs, tax liability, and volatility while providing an opportunity to outperform the broad stock market as a whole. The core of the portfolio consists of passive funds that track major market indexes, such as the Standard and Poor's 500, the Russell 3000, the Barclays Capital Aggregate Bond, and JPMorgan Government Bond Indexes. Managers then supplement this core portfolio with additional actively managed investment positions, known as satellites.

## **Alternative Investment Funds**

Alternative investments fall outside the three traditional asset types (stocks, bonds, and cash), and include hedge funds, managed futures, real estate, commodities and derivatives contracts. Alternative investment funds generally provide returns with a low correlation to returns of standard asset classes. Consequently, many large institutional funds such as pensions and private endowments have begun to allocate a small portion of their portfolios to alternative investments such as hedge funds. Each fund is subject to specific and often enhanced risks, depending on the nature of the fund.

## **Managed Futures Funds**

A managed futures mutual fund invests in other funds. These underlying funds will typically employ various actively managed futures strategies that will trade various derivative instruments including options, futures, forwards, or spot contracts. Further, each of these derivative instruments may be tied to commodities, financial indices and instruments, foreign currencies, or equity indices.

Managed futures strategies involve substantial risks that differ from traditional mutual funds. Each underlying fund is subject to specific risks, depending on the nature of the fund. These risks could include liquidity risk, sector risk, and foreign currency risk, as well as risks associated with fixed income securities, commodities and other derivatives. The strategy of investing in underlying funds could affect the timing, amount, and character of distributions to the investor and therefore may increase the amount of taxes the investor must pay.

Each underlying fund is subject to investment advisory and other expenses, including potential performance fees, which the managed futures fund indirectly pays. The cost of investing in a managed futures fund will be higher than the cost of investing directly in underlying funds and may be higher than other mutual funds that invest directly in stocks and bonds. Investors indirectly bear fees and expenses charged by the underlying funds in addition to the managed futures fund's direct fees and expenses. Each underlying fund will operate independently and pay management and performance based fees to each manager. Generally, the underlying funds will pay management fees that range from 0% to 2% of assets and performance fees that range from 10% to 35% of each underlying fund's returns. There could be periods in which one or more underlying fund managers receive fees even though the fund has a loss for the period.

## **Tax Consequences of Mutual Funds**

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

## **Deeds of Trust**

A Trust Deed is a document recorded with a county recorder's office creating a secured lien on real property, which provides collateral for lenders and trust deed holders. Some states use a Mortgage instrument rather than a Trust Deed. A borrower who owns or wants to own real estate needs a loan. The borrower executes a Promissory Note wherein the borrower promises to repay the lender. The recorded Trust Deed creates the secured interest attached to the borrower's real property. If the borrower does not pay as promised, the Lender/Trust Deed Investor can look to the real property for repayment and/or recovery of their invested capital. A Trust Deed investment occurs when an investor purchases all or part of the Note and Deed of Trust. The difference between a First and Second Trust Deed is the priority of the lien based on the recording date of the Trust Deed. The earlier recording date would have priority (i.e. first position). If an investor has a Second Trust Deed and the Borrower fails to pay the First, the investor would be responsible to make the First Trust Deed payments or suffer the risk of foreclosure and loss of invested capital.

There are risks associated with Trust Deed Investments that investors should understand:

1. Neither the FDIC nor any other government agency insure Trust Deed Investments. The investments involve certain risks and are suitable only for persons of adequate means who anticipate no need for immediate liquidity.
2. An appraiser assesses the value of property reflecting his/her opinion of the value at a specific date. There is no assurance that the appraised value will reflect a fair market value, as general and local economic conditions may change.
3. Although the investor makes the investment decision, the success of the investment will depend, in part, upon the experience and quality of the management of the mortgage broker. Investors should not entrust all aspects of the investment decision and subsequent servicing to the broker without full understanding of the delegated responsibilities and rights.
4. The borrower's ability to repay the loan will depend upon the borrower's financial condition, which could change over time.
5. There are general risks associated with real estate investments including general or local economic conditions, neighborhood values, interest rates, real estate tax rates, the supply of

and demand for properties of the type involved, the ability of the borrower to obtain necessary alternative financing, governmental rules and acts of nature.

6. Default by the borrower could interrupt the investor's monthly payments. Under extreme cases, it may be necessary to foreclose or take other actions to protect the investment. It is possible for the total amount recovered upon foreclosure to be less than the amount of the total investment, resulting in loss of capital to the investor.
7. The foreclosure process could stall if a borrower files a reorganization or full insolvency bankruptcy. Trust deed investors could incur significant legal fees and costs in attempting to obtain relief from the automatic freeze on collection proceedings provided by the Bankruptcy Code. Relief consists of obtaining court approval to release the property out of the bankruptcy so that the property can be foreclosed. Furthermore, the court could modify the terms of the loan by extending the due date, changing the interest rate and payment structure, or causing the priority of the loan to be subordinated to a bankruptcy court-approved financing plan.
8. Trust deeds are not liquid, not transferable and involve risk, including possible loss of principal.

### Private Funds

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and do not offer or sell interests in the funds to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private fund management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. The PPM covers important information for investors, and investors should review this document carefully and consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks depending upon the types of securities that the private fund invests in.

### Investing Outside the U.S.

Investing outside the United States may involve additional risks of foreign investing. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial

reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors to greater risk. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

Investments in developing countries can further heighten the risks described above. A developing country may be in the earlier stages of its industrialization cycle with a low per capita gross domestic product ("GDP") and a low market capitalization to GDP ratio relative to those in the United States and the European Union. Historically, the markets of developing countries have been more volatile than the markets of developed countries.

Developing countries may have less developed legal and accounting systems. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect security prices. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries are also relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid than securities issued in countries with more developed economies or markets.

An account's investment activities outside the United States could lead to additional costs. Brokerage commissions may be higher outside the United States, and the account will bear certain expenses in connection with its currency transactions. Furthermore, increased custodian costs may be associated with maintaining assets in certain jurisdictions.

### Cash and Cash Equivalents

The account may hold cash or invest in cash equivalents. Cash equivalents include:

1. Commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits (asset-backed commercial paper));
2. Short-term bank obligations (for example, bank notes, certificates of deposit, or bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity));
3. Savings association and savings bank obligations (for example, savings bank notes and certificates of deposit issued by savings banks or savings associations);
4. Securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less; and

5. Corporate bonds and notes that mature, or that may be redeemed, in one year or less.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments, meaning there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Bolthouse Investments and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. Bolthouse Investments does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Bolthouse Investments does not offer any other services or have any affiliates in the financial industry. Anthony L. Leggio, Manager and President of Bolthouse Investments, is a director of Tejon Ranch Company ("Tejon Ranch"); is of counsel to the law firm of Clifford & Brown ("Clifford & Brown"); and is a director, member of the Executive Committee, and Chairman of the Loan Committee of Valley Republic Bank (the "Bank"). Bolthouse Investments has no business dealings with Tejon Ranch. Bolthouse Investments has no business dealings with Clifford & Brown or the Bank other than the provision or potential provision of investment advisory services and the purchase of legal and banking services in the ordinary course of business. Bolthouse Investments does not conduct shared operations or have shared premises with Tejon Ranch, Clifford & Brown, or the Bank.

There may be times when Mr. Leggio or another officer of Bolthouse Investments refers clients in need of legal services to Clifford & Brown or banking services to the Bank, and there may also be times when either Clifford & Brown or the Bank refers its clients in need of investment advisory services to Bolthouse Investments. We do not receive or pay fees for these referrals. While Mr. Leggio may receive an indirect, immaterial benefit from these referrals as a principal of both Bolthouse Investments and the Bank, we have no reason to believe that any of these activities creates a conflict of interest for our clients or presents a time burden on Mr. Leggio's required duties to Bolthouse Investments and its clients.

### **Proprietary Private Funds**

Bolthouse Investments is the investment adviser and general partner of the Funds, which are private investment funds. The Funds are not publicly offered or traded. The Funds are only available to "Accredited Investors" as the term is defined by Rule 501 of the Securities Act of 1933. The offering documents for the Funds provide additional information on the Funds. This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, interests in the Funds. Such an offer can only occur when the prospective investor receives the offering documents.

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

Bolthouse Investments believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Bolthouse Investments' personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Bolthouse Investments' Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Bolthouse Investments' personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable state and federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

Bolthouse Investments will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### Personal Trading Practices

Bolthouse Investments and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. Bolthouse Investments and our personnel may purchase or sell securities for themselves that we also recommend for clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment decisions prior to and in preference to accounts of Bolthouse Investments and our personnel.
2. Bolthouse Investments prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If we wish to purchase or sell the same security as we recommend or take action to purchase or sell for a client, we will not do so until the broker-dealer fills client orders (except when the transaction meets our *de minimis* policy described below). As a result of this policy, it is possible that clients may receive a better or worse price than Bolthouse Investments or any employee for the same security on the same day as a client or one or more days before or after the client's transaction.



4. Bolthouse Investments generally requires our personnel to obtain pre-approval for personal trades from the Chief Compliance Officer, subject to the exceptions and de minimis policy set forth below.
5. Bolthouse Investments makes the following exceptions to the pre-approval requirements above:
  - a. We may exclude certain accounts from the pre-approval requirements:
    - i. We may exclude accounts for the pre-approval requirement where the account owner has provided evidence that they have no direct or indirect influence or control over the account.
    - ii. We may exclude personal and proprietary accounts which are being managed on a discretionary basis by a third-party advisor. The CCO may approve these exceptions upon review of all material facts.
  - b. We do not require pre-approval for the following types of transactions in personal or proprietary accounts:
    - i. Transactions where the account owner does not exercise investment discretion at the time of the transaction; for example when an issuer calls the security;
    - ii. Transactions in automated investment plans; and
    - iii. Tender offers.
6. Our policy above to require pre-approval of transactions does not apply to the following:
  - a. Transactions effected pursuant to an automatic investment plan;
  - b. Securities held in accounts over which Bolthouse Investments' personnel has no direct or indirect influence or control;
  - c. Transactions and holdings in direct obligations of the Government of the United States;
  - d. Money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - e. Transactions and holdings in shares of mutual funds, since Bolthouse Investments has no material relationship with an investment company; and
  - f. Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.
7. Conflicts of interest also may arise when Bolthouse Investments' personnel become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. Bolthouse Investments' personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.
8. Under certain limited circumstances, the CCO may make exceptions to the policies stated above. Bolthouse Investments will maintain records of these trades, including the reasons for any exceptions.

9. Bolthouse Investments requires our personnel to report personal securities transactions on a quarterly basis.

### **De minimis Policy**

Bolthouse Investments and our personnel are not required to obtain pre-approval for certain *de minimis* transactions that we believe would not adversely affect client interests or the securities markets when conducting small transactions in largely capitalized/frequently traded securities. Bolthouse Investments and our personnel are not required to obtain pre-approval for the following types of transactions:

#### *Equity Securities*

The transaction is under \$50,000 and the security has a market capitalization of over \$500 million and the security trades on the NYSE or other domestic exchange/financial market, including NASDAQ (excluding all options).

#### *Exchange Traded Funds*

The transaction is under \$50,000 and the security has an average daily trading volume of over one million shares and the security trades on the NYSE/AMEX or other domestic exchange/financial market, including NASDAQ.

#### *Debt Securities*

The bond purchase or sale is less than \$50,000 in principal amount per issuer.

#### *Ban on Short-Term Trading Profits*

All personal and proprietary transactions that fall under the *de minimis* exemption above are subject to a 30-day ban on short-term trading profits, except when selling at a loss. The CCO may make exceptions to the 30-day ban when the trade would not disadvantage any client.

### **Participation or Interest in Client Transactions**

The following items represent situations where a conflict of interest may exist between the client and Bolthouse Investments and our personnel.

#### *Principal Transactions*

Bolthouse Investments or an employee may occasionally buy securities from client accounts or sell securities to client accounts. One advantage of principal transactions is the ability to narrow spreads on thinly traded positions, potentially receiving more favorable pricing on both sides than the market currently offers. In addition, there exists an opportunity to reduce transaction costs associated with the trade; custodians will sometimes provide discounted fees when facilitating principal transactions. Finally, principal transactions can provide greater liquidity for clients than may have existed otherwise.

We only consider principal transactions when a clear benefit exists to the client and never for the sole benefit of Bolthouse Investments or any employee.

Potential conflicts that can exist when conducting principal transactions include the incentive to favor proprietary accounts when establishing pricing or to dispose of underperforming assets from proprietary portfolios, and other abuses in the absence of full market disclosure. In advance of each principal transaction, Bolthouse Investments provides participating clients with important details of the proposed trade and obtains the client's written consent.

### *Cross Transactions*

At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only do this when the proposed transaction is in the best interests of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client needs a similar security. Usually, this situation comes up with fixed income securities where we can get a better deal for both clients by crossing the security instead of going into the open market to complete separate transactions.

The price for a cross transaction will be determined by an independent broker-dealer, and is usually the mid-point between the best bid and offer prices available for the size of the transaction. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients.

Bolthouse Investments does not act as broker for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts). Bolthouse Investments will provide details pertaining to all cross trades to participating clients prior to or promptly following each crossed transaction.

## **ITEM 12 – BROKERAGE PRACTICES**

### **Factors Considered in Selecting Broker-Dealers/Custodians for Client Transactions**

Bolthouse Investments encourages clients to open one or more custodian accounts in their own name at Schwab.

The client will enter into a separate agreement with Schwab to custody the assets. Bolthouse Investments also requires that clients grant us limited power of attorney to execute client transactions through Schwab. Bolthouse Investments is independently owned and operated, and unaffiliated with Schwab or any other broker-dealer/custodian.

Bolthouse Investments considers several factors in recommending a broker-dealer/custodian to a client. Factors that Bolthouse Investments may consider when recommending a broker-dealer/custodian may include availability of funds, ease of use, reputation, service, execution, pricing, and financial strength. Bolthouse Investments may also take into consideration the availability of the products and services received or offered (detailed below) by Schwab.

### Research and Other Benefits

Bolthouse Investments has received from broker-dealers/custodians benefits such as sponsored conferences, related travel expenses, entertainment and meals.

Bolthouse Investments may receive from particular broker-dealers/custodians, without cost (or at a discount), support services and/or products that benefit Bolthouse Investments but may not directly benefit our clients' accounts. Schwab makes available products and services that may be used to service all or some substantial number of Bolthouse Investments' accounts, including accounts not maintained with Schwab. Schwab makes these products and services available to us on an unsolicited basis, at no charge to us so long as Bolthouse Investments maintains a total of at least \$10 million of the Funds' and our clients' assets in accounts at Schwab.

Schwab makes available products and services that assist Bolthouse Investments in managing and administering clients' accounts including software and other technology that:

1. provide access to client account data (such as trade confirmations and account statements);
2. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. provide research, pricing and other market data;
4. facilitate payment of Bolthouse Investments' fees from our clients' accounts; and
5. assist with back-office functions, recordkeeping, and client reporting.

Schwab also offers other services intended to help Bolthouse Investments manage and further develop our business enterprise. These services may include:

1. compliance, legal and business consulting;
2. publications and conferences on practice management and business succession; and
3. access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may make available, arrange, and/or pay third-party vendors for the types of services provided to Bolthouse Investments. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Bolthouse Investments. Schwab may also provide other benefits such as educational events or occasional business entertainment of Bolthouse Investments personnel.

As part of our fiduciary duty to clients, Bolthouse Investments endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by Bolthouse Investments or our personnel in and of itself creates a potential conflict of interest and may indirectly influence Bolthouse Investments' recommendation of Schwab for custody and brokerage services.

### Brokerage for Client Referrals

Bolthouse Investments does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### Directed Brokerage Transactions

Bolthouse Investments generally will not allow clients to direct Bolthouse Investments to use a specific broker-dealer to execute transactions. By encouraging clients to use Schwab, Bolthouse Investments believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions and overall lower the costs to the portfolio. Clients who direct Bolthouse Investments to use another broker-dealer may pay higher commission charges. Under these circumstances, Bolthouse Investments may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct Bolthouse Investments to use a specific broker, disparity in transaction charges might exist between the transaction costs charged to other clients.

Since we encourage most of our clients to maintain their accounts with Schwab, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank or other custodian prior to opening an account with us. Some of these differences include, but are not limited to, total account costs, trading freedom, transaction fees/commission rates, and security and technology services.

Clients with 401K or annuity accounts are not required to use Schwab and may appoint a custodian of their choosing.

### **Aggregation and Allocation of Transactions**

Transactions by the Funds are made Fund-wide for the benefit of all Fund investors on a pro rata basis. For transactions outside the Funds, Bolthouse Investments enters orders for each client independently and does not aggregate (combine) client orders. Aggregating trades may benefit clients by purchasing or selling in larger blocks in an attempt to take advantage of better pricing or lower trading costs. We do not feel that clients are at a disadvantage because we do not aggregate client orders. For clients' investments outside of the Funds, Bolthouse Investments may use mutual funds or separate accounts with third-party advisors to manage those client accounts. Mutual funds are priced once daily. As the daily price is the same for each investor, we have no opportunity to obtain better pricing through aggregating even if we place trades of the same fund for multiple clients within a single order. Additionally, the broker-dealer/custodians charge each account an individual transaction fee regardless of whether we aggregate or not. This prevents us from lowering trading costs through aggregation.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

Bolthouse Investments seeks to meet client objectives by monitoring and rebalancing clients' investment portfolios on a regular basis. Frequency of review is determined by both the individual client and Bolthouse Investments and may be quarterly, semi-annually, annually or any other chosen interval. Bolthouse Investments may request more immediate reviews if we determine that special

circumstances or material factors warrant additional attention. The Vice President of Investments performs all reviews.

## **Fund Reviews**

We supervise Fund investments on a continuous basis and periodically review all positions in the Funds' accounts.

## **Account Reporting**

For transactions outside the Funds, each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, Bolthouse Investments provides written reports detailing performance in client accounts on a quarterly basis. These quarterly reports consolidate information regarding the client's interests in the Funds as well. Bolthouse Investments may also provide additional reporting as agreed upon by Bolthouse Investments and the client on a case-by-case basis.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **Schwab Support Products and Services**

We receive an economic benefit from Schwab in the form of the support products and services they make available to us and to other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

## **ITEM 15 - CUSTODY**

Bolthouse Investments has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from Bolthouse Investments as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us.

Bolthouse Investments also has custody of the assets of the Funds. Bolthouse Investments, as the general partner and investment adviser of the Funds, has the ability to request funds from the custodian

out of the Funds' accounts. Bolthouse Investments has put controls in place, in compliance with federal rules, to protect clients' assets in the Funds. A qualified custodian holds the Funds' assets. In addition, an independent accountant audits the Funds' accounts each year, and we send copies of the audited financial statements to all investors in the Funds. An independent accountant will also audit the Funds upon liquidation.

Bolthouse may be deemed to have custody of client assets when, at a client's request, Bolthouse has been given physical possession of a client's checkbook (but with no signing authority) or promissory notes from third parties. In such circumstances, Bolthouse will arrange to have an independent public accountant conduct an independent verification in accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940.

## **ITEM 16 - INVESTMENT DISCRETION**

As general partner and investment adviser to the Funds, we have full discretion over the management of the Funds. Bolthouse Investments will not contact clients before placing trades for the Funds. Clients grant us discretionary authority by signing the partnership agreements for the Funds.

For accounts for which Bolthouse Investments does not have discretion, we will make investment recommendations and it is up to the client to accept or reject our recommendations and to implement those recommendations in the account. Non-discretionary accounts will require the active participation of the client in investment decisions either for the account in total or for agreed upon sectors of the account.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### **Proxy Voting**

Bolthouse Investments provides investment advisory services to the Funds, and we are responsible for voting the proxies issued on securities held in the Funds. We have adopted Proxy Voting Policies and Procedures in an effort to cast votes in the best interests of the Funds. While clients typically retain the proxy voting authority for securities held in their separately managed accounts, Bolthouse Investments may on occasion accept responsibility to vote these securities (proxies) on behalf of our clients. When we accept such responsibility, we will only cast proxy votes in a manner consistent with the best interests of our clients.

Absent special circumstances, which we fully describe in our Proxy Voting Policies and Procedures, we will vote all proxies for which we have proxy voting responsibility within the guidelines we established and describe in our Proxy Voting Policies and Procedures, as we may amend them from time-to-time. At any time, clients may contact us to request information about how we voted their proxies for their securities or to get a copy of our Proxy Voting Policies and Procedures. A brief summary of our Proxy Voting Policies and Procedures is as follows:

1. We make every effort to ensure that we vote shares in the best interests of clients and the value of their investment.
2. Absent special circumstances, our policy is to exercise our proxy voting discretion according to written pre-determined proxy voting guidelines (“Proxy Voting Guidelines”). The Proxy Voting Guidelines are applicable to the voting of domestic and global proxies.
3. For securities purchased for the Funds by third-party advisors, Bolthouse Investments typically delegates proxy voting responsibility to the third-party advisor, in which case the third-party advisor’s proxy voting policy will usually govern the voting of those securities.
4. Bolthouse Investments may subscribe to the services of unaffiliated third party proxy vendors that provide written vote recommendations/guidelines, proxy voting, and administrative and record-keeping assistance.
5. Clients typically may not direct our vote for a particular solicitation in cases where Bolthouse Investments otherwise has proxy voting responsibility.
6. In cases where sole proxy voting authority rests with Bolthouse Investments for plans governed by ERISA, Bolthouse Investments will vote proxies in accordance with our Proxy Voting Guidelines unless the plan’s governing documents outline otherwise, subject to the fiduciary responsibility standards of ERISA.
7. If Bolthouse Investments becomes aware of any type of potential or actual conflict of interest relating to a proxy proposal, Bolthouse Investments will promptly document the conflict and may handle the conflict in a number of ways depending on the type and materiality. The method selected by Bolthouse Investments will depend upon the facts and circumstances of each situation, and the requirements of applicable laws, and will always be handled in the client’s best interests.
8. Bolthouse Investments may also choose not to vote proxies in certain situations or for certain accounts; for example, (1) where a client has retained the right to vote the proxies; (2) where Bolthouse Investments deems that the cost of voting the proxy would exceed any anticipated benefit to the client, or (3) where a proxy is received for a client account that has been terminated.

Clients may obtain a copy of Bolthouse Investments’ current Proxy Voting Policies & Procedures, as well as information on how their proxies were voted, by contacting Bolthouse Investments at the principal office and place of business indicated on the cover page of this brochure. In their request, clients should include their name and, if applicable, the account and security for which they are making the request.



## **Class Actions**

Bolthouse Investments has hired an independent third party to file claims on behalf of our clients in order to facilitate their participation in class action lawsuits. For its services, the third party receives 20% of any settlement amounts actually paid to our clients with respect to such claims.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Bolthouse Investments does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.