

# **FIRM BROCHURE**

(Part 2A of Form ADV)

**March 11, 2015**

## **OHANA ADVISORS**

899 Northgate Dr., Suite 301  
San Rafael, CA 94903  
Phone: (415) 226-4100  
Fax: (415) 479-4481

**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Ohana Advisors. If you have any questions about the contents of this Brochure, please contact us at (415) 226-4100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Ohana Advisors is registered as an investment adviser with the SEC; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Ohana Advisors is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**ITEM 1: COVER PAGE**

Please refer to previous page.

**ITEM 2: MATERIAL CHANGES**

This Brochure dated March 11, 2015 shall serve as our annual amendment. There are no material changes made to this Brochure since the last Brochure filing dated November 19, 2014.

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## **Item 4: Advisory Business**

### **A. Description of Firm**

Ohana Advisors Management, LLC, a California limited liability company doing business as Ohana Advisors (“Ohana”), is a boutique firm providing comprehensive family office and financial services to ultra-high net worth clientele. Our multi-family office services are individually tailored to emphasize personal service and we function as each client’s private family office.

Ohana currently is registered with the SEC as an investment adviser. The states we conduct business in are reflected in Part 1 of our Form ADV, a copy of which can be found on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **B. Principal Owners**

Founded by Dennis Covington in 1993, Ohana operated as a sole proprietorship until its conversion to a California LLC in May, 2010. The firm is 100% owned by Dennis Covington.

### **C. Types of Advisory Services Offered**

Ohana prides itself in offering a full range of family office services, which includes investment advisory services. We offer wealth management strategies with financial planning services. Our services are designed to assist our family clients with their unique needs, priorities and objectives. Through Ohana, our clients have access to an extensive range of investments on an open architecture basis.

We do not believe in a “one size fits all” model—every family is different, with diverse goals and needs. Consequently, we strive to create and implement an optimal, risk-managed, diversified strategy tailored for each client. We also provide coordination and support between our clients and their other financial, tax, and legal advisors. Each family and decision maker can choose to be as active in or as insulated from the operational processes as they like.

Ohana seeks and has been successful in having long term relationships with our family clients. A majority of our families have been clients for over ten years. Similarly, we have a very low turnover of our professional team who has typically been providing our services for more than ten years. We believe this depth of history and experience helps us to provide superior client service. We are always available for our clients either to meet in person, by phone or email. We believe that excellent communication, access, and a personal, responsive organization are essential.

Each family’s assets are separately owned. We do not sponsor or manage any pooled or commingled investment vehicles. Instead, each family typically utilizes one or more family limited partnerships to facilitate co-investing across family entities, for efficiency, wider access and implementation of estate planning strategies.

Ohana’s family office services include, among other things, the following:

#### **Investment Advisory and Financial Planning Services**

- Asset allocations and investment recommendations for family portfolio(s)
- Manager/fund recommendation, access, and oversight
- Comprehensive tracking and reporting of all investments
- Cash management for all entities
- Tax planning support
- Estate and gift planning implementation and services
- Next generation wealth planning, education, and support

#### Family Support Services

- Philanthropic support
- General financial support

Ohana takes an integrated approach to wealth management. We believe achieving financial objectives requires optimal decision making integrating estate planning tools, investment return analysis and income tax optimization.

At the first level we help to originate and coordinate strategies incorporating efficient estate asset transfer techniques as defined by the family's estate planning attorney. We also take into consideration potential opportunistic investments and consequential significant potential valuation changes, including the expected timing of those changes.

At a second level we work with clients to construct customized investment portfolios that encompass broad diversification, utilizing third party investment advisers ("TPAs") and various private fund investments.

At a third level, we evaluate, recommend and implement strategies to meet other financial needs, including life insurance and the establishment of charitable entities. While we typically work with the family's wealth creators, over time we incorporate (dependent on client needs) education and coordination with next generation beneficiaries and/or third party trustees.

Ohana provides investment recommendations on both publicly traded and privately held investments. Publicly traded investments trade on stock exchanges and can be purchased and sold anytime during exchange trading hours. Privately held investments include, for example, private investment funds (such as hedge funds) with required holding periods and restrictions on re-sale. Clients are provided with private fund memorandums and other offering and subscription documentation for each private fund.

The asset classes and types of investments we recommend and manage include, but are not limited to the following:

#### *Asset Classes*

- Cash and cash equivalents, including money market mutual funds, certificates of deposits
- Fixed income, including US municipal bonds, corporate notes and bonds, mortgage bonds, high yield bonds, and foreign bonds (both developed and emerging markets)

- Equities, including common stock in US, foreign developed and emerging markets, and certain venture capital securities
- Absolute Return
- Alternatives
- Real Estate
- Private Equity

#### *Types of Investments*

- Exchange traded funds (ETFs), including but not limited to index ETFs and actively managed ETFs
- Registered mutual funds, including, but not limited to both equity and fixed income funds
- Hedge Funds, including fund of funds, long/short, credit or distressed event-oriented funds, various forms of arbitrage funds, natural resources, and other funds
- Alternative investment funds, including royalties, illiquid distressed debt, commodities, leveraged debt, energy infrastructure Master Limited Partnerships (MLPs) and debt funds
- Real Estate Investment Trusts and Limited Partnerships, including publicly traded Real Estate Investment Trust (REIT) securities, and private partnerships in retail, multi-family residential, commercial office and industrial properties, incorporating US, European, Japan and emerging markets
- Private equity funds, including venture capital funds, large cap and middle market buyout funds, distressed debt funds, and sector specific funds including bio-pharma and energy, incorporating US, European, Japan and emerging markets

For detailed information on our investment allocation strategies and the risks involved in the type of investments listed above, please refer to Item 8, below.

An important part of our services is our extensive dialog with the principals of our family clients. Through this dialog we strive to clarify, define, confirm and document each family's investment and planning objectives. It is always our goal to help the family achieve its financial objectives; however, clients should understand that Ohana cannot offer any guarantees or promises that the client's financial goals and objectives will be met. In addition, clients should notify us promptly if their financial situation, goals, objectives, or needs change at any time and/or if there is any change to the financial information provided to Ohana by the client. In the event that a client notifies Ohana of changes, we will review such changes and may recommend revisions to the client's investment portfolio. Lastly, Ohana will not assume any responsibility for the accuracy of the financial and investment objective information provided by the client and we are not obligated to verify any such information received from our clients or from their other professionals (*e.g.*, attorney, accountant, etc.).

In most instances, each client's asset allocation and investment portfolio represents their preferences. Generally, Ohana acts as a non-discretionary manager, and as such our clients retain total control over investment selection. This means that Ohana discusses investment

recommendations with our family clients, and such clients are under no obligation to implement any of our recommendations.

It also means that our family clients retain the authority to open or close all investment and custodian accounts, execute all wire transfers and sign all investment partnership subscription documents and limited partnership agreements. We generally have no discretionary authorization to select investments on behalf of our family clients. There is one instance in which Ohana acts as the trustee for a client's life insurance trust, and as such would have the authority to select money managers and/or investments for those life insurance policies. In this regard Ohana would be determined to have discretion over those assets. This discretion is limited to Ohana being able to select money managers and/or investments from the life insurance carrier's list of available options on their platform.

For administrative convenience, we generally obtain a Limited Power of Attorney for trading in clients' brokerage accounts. This enables us, once we have received instructions and approval from the authorized family member or trustee, to implement their investment decisions, thereby minimizing the family member/trustee's administrative processing needs.

**D. Wrap-Fee Programs**

Ohana does not provide portfolio management services to any wrap fee programs.

**E. Advisory Agreements**

Prior to providing investment advisory services, each client is required to enter into one or more written agreements with us, which sets forth the fees to be charged and the terms and conditions under which Ohana will render our services.

Ohana will provide a Brochure (Form ADV Part 2A) and one or more Brochure Supplements (Form ADV Part 2B) to each client or prospective client prior to or contemporaneously with the execution of Ohana's advisory agreement. The advisory relationship will continue until terminated by the client or Ohana in accordance with the provisions stated within the written agreement.

**F. Amount of Client Assets Managed**

As of December 31, 2014, the following represents the amount of client assets under management by Ohana on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$4,255,265
Non-Discretionary	\$826,057,746
Total:	<b>\$830,313,011</b>

**ITEM 5: FEES AND COMPENSATION**

**A. Investment Advisory Fees**

All clients enter into a written agreement with Ohana, which sets forth the terms and conditions, including those fees under which we will render our advisory services. Such fees are subject to negotiation under certain circumstances and at the sole discretion of the firm.

Ohana's advisory fees cover the investment advisory and financial planning services provided to a family client. Fees are negotiated with clients each year and are based on a number of factors, including but not limited to the complexity of family client accounts and the amount of assets under management. The annual advisory fee charged is a flat fee that is paid monthly. Clients provide written instruction to their custodian outlining the amount of fees to pay and which account to debit. Ohana has no authority to debit fees or give the custodian instructions to pay the fees.

Generally there are no separate fees charged for other family support services. However, Ohana reserves the right to charge a client a one-time fixed fee for accommodating a special request, such as providing certain non-typical services.

Certain Ohana principals also receive compensation for activities involving direct private placements, board service and recourse loans, which are separate and distinct from the aforementioned advisory fees. Please refer to Item 14 for important additional information.

#### **B. Other Fees and Expenses**

Clients should understand that the fees described above are exclusive to Ohana and do not include certain charges imposed by third parties such as custodial fees, trade execution costs, mutual fund fees and expenses. In addition to Ohana's fees, clients may be subject to additional fees such as, transaction fees, brokerage fees and commissions including bid-ask spread for marketable securities bought or sold (commonly referred to as the mark up or mark down), retirement plan administration fees, deferred sales charges on mutual funds, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For mutual funds and ETFs, clients may be charged internal management fees, distribution fees and other expenses as are found in the funds' prospectuses. Additional costs also may include organizational costs and incentive performance (carried interest) fees for limited partnerships including private equity, real estate and hedge funds. These fees individually and in aggregate may be significant. Notably, Ohana will not receive any portion of these other fees and expenses. However, the additional fees paid by a family client are evaluated by Ohana and family decision-makers in assessing the expected net investment returns of each existing or prospective investment.

It is noted that similar services may be obtained from other advisers at varying costs.

Please refer to Item 12 of this Brochure for additional important information about Ohana's brokerage and transactional practices, including considerations for selecting broker-dealers for client transactions.

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



Ohana does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains or capital appreciation of the assets or any portion of the assets of an advisory client). Consequently, Ohana does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management).

However, some of the private funds that Ohana recommends to family clients for investment, may charge performance based fees. The fees are disclosed in the fund's offering memorandum, which should be read carefully by clients prior to investing.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

Ohana's clients are ultra-high net worth families, with an average net worth of over \$75 million. Family assets may be titled to individuals, revocable and irrevocable trusts, charitable trusts, family limited partnerships, family foundations and donor advised funds. The family in aggregate meets accredited investor and qualified purchaser status, but individual investing entities may not meet those thresholds.

### **B. Conditions for Managing Accounts**

There is no firm minimum asset size, but Ohana family client relationships will typically be expected to have a net worth of at least \$40 million within a near term timeframe. This permits us to assist in many of the planning requirements and to develop investment and tax-efficient transfer opportunities as wealth and liquidity are being created.

Ohana has invested over 20 years in developing expertise and networks in the area of alternative investments, including real estate, hedge funds and private equity. While each family's investment allocation and portfolio is developed and maintained to meet their planning objectives taking into account the secular opportunity set in the investment marketplace, it is typical that Ohana clients may want to participate to some extent in these types of asset classes. Please refer to Item 8 below for detailed information on the types of alternative investments that Ohana recommends, along with the risks that surround such investments.

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

### **A. Methods of Analysis**

The investment strategy, asset allocation and portfolio composition for each family is based on the objectives and constraints as defined in each client's financial profile. These objectives and constraints typically include portfolio and individual investment return, risk and liquidity.

Ohana assesses the economic climate for all the major geographic markets of the world across the primary investment strategies and asset classes we recommend as outlined in Item 4, above. We give careful consideration to effects and trends that will impact client investment opportunities, including demography, political and legal environment, normal cyclical behavior and whether certain strategies appear to be exhibiting characteristics of a bubble, or are in some type of recovery from a financial crisis.

Our goal in this assessment is to identify investments that we feel are persistent or opportunistic. Persistent investments are those that we believe are likely to be in place for the long term, which for practical purposes may mean ten years or more. Opportunistic investments are those that we feel can benefit from a dislocation in a market or industry.

### **Investment Strategies and Asset Classes**

Family clients' portfolios generally consist of those traditional asset classes and investments listed in Item 4 above. We seek to develop portfolios that have meaningful diversification across geographies, asset classes, sub-sectors, and level of expected return and risk. The majority of our families' portfolios also have significant allocation to private investment funds.

The investments we recommend to clients may have various liquidity limitations. Our portfolio construction strives to balance the illiquidity of certain investments and their potential for increased performance returns in our recommendations to family decision-makers.

### **Asset Allocation**

In assessing strategies, and as part of our risk analysis, we evaluate the cash flow and return characteristics of each investment, including estimating how quickly funds will be drawn down and over what time period they will be returned. As a result of this cash flow analysis, we generally consider how investments help meet investment goals broadly.

Ohana devotes investment research to identifying select managers and developing strategies for incorporating them into certain family client investment portfolios, determined significantly by the clients' return objectives and risk tolerances. These are done in a financial planning context, such as evaluating what risk/return allocation will meet the client's financial goals with respect to personal spending, charitable and estate planning and asset growth. For this "bottoms up" planning, we develop projected returns for different investment assets, based on a combination of historical data, current rates of return and the impact of the macro-economic climate in the short and medium term.

Our due diligence process may include meetings with the management team, review of documentation and historical track record, discussions with custodians, legal counsel and auditors, comparison and analysis against competitive investment vehicles, operational due diligence and background checks on investment principals.

### **B. Risk Management and Risk of Loss**

Ohana considers risk in every initial investment decision and in subsequent on-going assessments of individual investment and portfolio risk. The four main classes of risk we consider include:

1. Liquidity—including: (a) not being able to meet other cash expenses because too much of a portfolio is illiquid, or because expected liquidity is not available due to manager decisions or market disruptions, (b) inability to cover capital commitments and/or estate taxes; and (c) the potential inability to make a desirable investment because of the high

cost of shifting from non-marketable investments.

2. Inflation—the loss of purchasing power over time due to investment returns not being sufficient to offset inflation, and inefficiency in an investment's performance in an inflationary environment against expectations, including equities, real estate and commodity investments.
3. Return of Capital—the risk that permanent loss of capital occurs or that return of capital is significantly delayed.
4. Probability of Meeting Expected Return—the individual and portfolio effect of investment returns being less than expected due to manager performance or market conditions.
5. Operational Failure.

Ohana's significant use of illiquid investments cannot ensure that investment performance will exceed that of a more liquid portfolio. In addition, illiquid investments are intrinsically longer term and fixed, so that investors cannot change their mind if underlying economic or market conditions change. Also, these investments may stay illiquid for longer than expected, with unanticipated negative consequences for managing cash expenses, including capital calls, living expenses and the potential for losing the entire amount of the original investment. Consequently, through our financial planning process, Ohana seeks to provide a margin of safety that each client finds sufficient in balancing the potential returns and risks of illiquid investments.

In addition to illiquidity risks, other specific types of risks are associated with these types of investments which are numerous and potentially significant, and include, but are not limited to:

Reliance on key personnel	Interest rate risk	Foreign political changes
Errors in due diligence	Duration risk	Foreign exchange risks
Financial control failures and misconduct	Portfolio construction risk	Security selection
Inappropriate incentives	Excessive concentration	Missed opportunities
Market disruptions, suspensions of trading or fund distribution gates	Default risk	Issues around the fair valuation of investments
Deteriorating economic conditions	Changes in taxation	Excess reliance on past performance
Undisclosed conflicts of interest	Counterparty risk	Custodial risk
Failure of hedges or collars to perform as expected	Excess leverage	Failure of derivatives to perform as expected

Unexpected risk parameters may result in the temporary or permanent impairment of the investment performance, including return of capital. Effective diversification helps to provide a meaningful mitigation to risks impacting individual investments and lowering correlation among investments and asset classes may significantly lower systemic risk.

The hedge funds that Ohana may recommend may include leverage, short sales, and uncovered options. Such strategies carry a risk of unlimited losses. Leverage increases both the possibilities for profit and the risk of loss. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit.

Additionally, the structure of such investments may present additional special risks, including without limitation, higher fees, volatile performance, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. The performance-based fee/incentive allocation structure of private funds may create an incentive to the fund's investment manager to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee/incentive allocation structure.

In addition to those risks outlined above, some of the risks associated with investing in securities and funds (both publicly traded and privately held) recommended by Ohana that clients should be aware of include, but are not limited, to the following:

- Allocation Risk: The risk that a portfolio could lose money as a result of less than optimal or poor asset allocation decisions as to how its assets are allocated or reallocated.
- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- Credit Risk: The risk that a portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- High Yield Risk: High yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") are subject to greater levels of credit and liquidity risks.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Political and Legislative Risk: Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (*i.e.*, interest rate). This primarily relates to fixed income securities.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. Business risk can come from a variety of sources, some systemic and others un-systemic. That is, every company has the business risk that the broader economy will perform poorly and therefore that sales will be poor, and also the risk that the market simply will not like its products.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Derivatives Risk:** This is the risk of investing in derivative instruments, including liquidity, interest rates, market, credit and management risks, mispricing or improper valuations. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index and the investment could lose more than the principal amount invested.
- **Foreign Investment Risk:** Investments in foreign securities may be riskier than U.S. investments because of factors such as unstable international, political and economic conditions, currency fluctuations, foreign controls on investment and currency exchange, foreign governmental control of some issuers, potential confiscatory taxation or nationalization of companies by foreign governments, withholding taxes, a lack of adequate company information, less liquid and more volatile exchanges and/or markets, ineffective or detrimental government regulation, varying accounting standards, political or economic factors that may severely limit business activities, and legal systems or market practices that may permit inequitable treatment of minority and/or non-domestic investors. Investments in emerging markets may involve these and other significant risks such as less mature economic structures and less developed and more thinly-traded securities markets.

Investing in securities and private funds involves a significant risk of loss. Ohana's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be significant loss or depreciation to the value of the client's investment account(s), which clients should be prepared to bear. There can be no assurance that a client's investment objectives will be obtained and no inference to the contrary should be made.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as Ohana are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Ohana or the integrity of its management. We do not have any such legal or disciplinary events and thus have no information to disclose with respect to this Item.

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

Ohana and our associated persons do not have any outside financial industry activities and we do not receive compensation directly or indirectly from any investment funds that we recommend to clients.

In regards to financial industry affiliations, a managing director of Ohana has a relative who manages a Charles Schwab branch office. A number of our family clients maintain institutional brokerage accounts at Charles Schwab. This affiliation may create a potential conflict of interest due to the fact that the Schwab branch manager may receive indirect compensation resulting from Ohana's clients having accounts with Schwab. To address this conflict, we have adopted certain firm policies and procedures. For example, as part of Ohana's fiduciary duty to clients, Ohana and our representatives will endeavor at all times to put the interests of our clients first, and any recommendations made by us to use a particular broker-dealer will only be made to the extent that they are reasonably believed to be in the best interests of each client. Additionally, clients are not obligated to open an account and implement recommended transactions through this Schwab branch or any other broker suggested by Ohana. Clients are free to purchase any recommended investment products or services through any broker of their choosing.

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

### **A. Code of Ethics Summary**

Ohana has adopted a Code of Ethics ("Code") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Ohana and its Access Persons (as defined in the Code) have an ongoing fiduciary responsibility to Ohana's clients and must ensure that the needs of our clients always come first. We hold our Access Persons to a very high standard of integrity and business practices. In serving our clients, we must at all times deal with clients in an honest and ethical manner and comply with all federal securities laws. In addition, Access Persons must adhere to the following general principles as well as to the Code's specific provisions:

- (a) At all times, the interests of our clients must come first;
- (b) Personal securities transactions must be conducted consistent with the Code in a manner that avoids any actual or potential conflict of interest; and
- (c) No inappropriate advantage should ever be taken that is contrary to our responsibilities and duties to our clients.

The Code contains restrictions on Access Persons' personal trading activity, including the prohibition of insider trading and front running. To help ensure adherence with these restrictions, Access Persons are required to follow specific procedures regarding personal trading, including pre-clearance of certain trades and are also required to submit quarterly and annual reports on personal trades and security holdings. Various sanctions may be applied for violations of the requirements under the Code.

A complete copy of Ohana's Code of Ethics is available upon request by contacting Ohana by mail or by telephone at the address or phone number on page 1 of this Brochure.

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

Because the Code would permit associated persons of Ohana to invest in the same securities (including private funds) as clients, there is a possibility that the associated person could benefit over a family client depending on the facts and circumstances. Trading by our Access Persons is continually monitored under the Code, with an eye to reasonably prevent conflicts of interest between Ohana and our clients. In addition, Access persons must obtain written pre-approval prior to investing in certain transactions, such as Initial Public Offerings (IPOs) and other limited offerings (*e.g.*, private funds).

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Selection Criteria**

In most cases, Ohana does not maintain custody of client assets. Client cash and securities must generally be maintained in an account at a “qualified custodian”, generally a broker-dealer. In most cases Ohana does not have discretion to choose broker-dealers on behalf of our family clients. The client usually retains full discretion to accept or reject Ohana’s investment recommendations and for implementing any accepted recommendations with any broker-dealer of their choice. However, depending on the needs of the client, Ohana does recommend certain broker-dealers from time to time and also will enter into a limited power of attorney for trading authority at the request of the client, in order to implement client approved recommendations. There is one instance in which Ohana acts as the trustee for a client’s life insurance trust, and as such would have the authority to select money managers and/or investments for those life insurance policies. In this regard Ohana would be determined to have discretion over those assets. This discretion is limited to Ohana being able to select money managers and/or investments from the life insurance carrier’s list of available options on their platform.

Brokerage accounts are primarily used for investment and cash management needs. These accounts typically may hold cash, money market funds, bonds, stocks, ETFs and mutual funds. They also may infrequently include put and call options. In some cases, brokerage accounts are opened to facilitate the sale of stocks distributed by venture capital funds. In these cases, the distributing broker is selected by the venture capital fund, and is solely used for processing the sale or transfer of distributed stocks.

We currently recommend four separate teams within the Private Wealth Management groups of major investment banks at Goldman Sachs, Northern Trust, and Morgan Stanley Smith Barney; and Charles Schwab for investing smaller trusts and IRAs, based upon their flexibility compared to that offered by investment banks to invest in mutual funds. These firms are registered broker-dealers and maintain custody of our client’s assets and effect trades for their accounts. Ohana does not recommend brokers on a transaction basis. Ohana receives no compensation or soft dollar benefits of any kind.

Factors considered by Ohana in recommending brokers for investment and cash management needs, include, but are not limited to the broker’s ability to: (1) accommodate a high volume of cash management activities; (2) handle complex transactions (such as 10b5(1) plan stock sales);

and (3) offer a range of sophisticated investment products. Additionally, such recommendations will take into account a number of other factors, including among others, these:

- Combination of transaction and execution services along with asset custody services
- Capability to execute, clear and settle trades
- Capabilities to facilitate transfers and payments to and from accounts
- Breadth of investment products made available
- Availability of investment research and tools that assist us in making investment decisions
- Quality of service
- Competitiveness of the price of those services, commission rates, margin interest rates, other fees, etc.
- Reputation, financial strength and stability of the provider
- Availability of other products and services that benefit us, as discussed below

It is important for clients to consider and compare the significant differences between having assets held at a broker/dealer, bank, or other custodian. Some of these differences include, but are not limited to: total account costs, transaction fees, commission rates, security controls, and technology services.

In recommending a broker, Ohana will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case that a recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. It may also be the case that the total costs of all services provided by the recommended broker may be higher than can be obtained at another broker. Ohana may determine in good faith that such total costs are reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of Ohana's overall responsibilities to the client.

The final decision to custody assets with a broker-dealer is generally at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Ohana is independently owned and operated and not affiliated with any brokers. In some cases the brokers provide Ohana with access to their institutional trading and custody services, which are typically not available to retail investors of the brokers. For clients who have brokerage accounts with Charles Schwab, these services generally are available to Ohana, at no charge so long as a total of at least \$10 million of our clients' assets are maintained in accounts at Charles Schwab. This minimum may give us an incentive to recommend Charles Schwab as a broker based on our interest in receiving services that may benefit our business. We believe, however, that our recommendation of Charles Schwab as a broker and custodian is in the best interest of some of our clients and we make recommendations based on client specific situations. We do not believe that maintaining at least \$10 million of our assets under management at Charles Schwab presents a material conflict of interest. This potential conflict of interest is mitigated by careful review of client circumstances when recommending a broker.

Brokers may also make available to Ohana other products and services that benefit Ohana but may not benefit its clients' accounts. These benefits may include national, regional or Ohana-



specific educational events organized and/or sponsored by the Custodial Brokers. Other potential benefits may include occasional business entertainment of personnel of Ohana by the broker's personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Ohana in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data.

As part of Ohana's fiduciary duty and to help further ensure that brokerage firms recommended by Ohana are conducting overall best qualitative execution, we will periodically (and no less often than annually) evaluate such brokers. Our evaluation will consider the factors outlined above, along with the full range of brokerage services offered by the brokers, which may include, but are not limited to price, commission, timing, research, capable floor brokers or traders, capital strength and stability, reliable and accurate communications, settlement processing, and administrative ability.

Ohana does not receive client referrals or any other benefit from the brokers we recommend. However, a principal of Ohana has a relative who manages a Charles Schwab branch office. A number of our family clients maintain institutional brokerage accounts at Charles Schwab. This affiliation may create a potential conflict of interest due to the fact that the Schwab branch manager may receive indirect compensation resulting from Ohana's clients having accounts with Schwab. Please refer to paragraph two of Item 10 for further details on this relationship and how Ohana addresses this conflict of interest.

In circumstances where Ohana is directed by a family client to place all or a portion of the client's transactions through a specific broker not recommended by Ohana (aka "Client Directed Brokerage"), the family client should understand that: (1) we do not negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker/dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on their transactions than might otherwise be the case, and (2) conflicts may arise between the client's interest in receiving best execution with respect to transactions effected for the account and Ohana's interest in potentially receiving future client referrals from the broker. Therefore, prior to directing us to use a specific broker-dealer, a family client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable.

Ohana does not aggregate client trades and does not place principal trades, internal or agency cross transactions.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Review of Client Investment Accounts**

Ohana performs reviews of client investment accounts on a regular basis. Additional reviews may be triggered by one or more of the following: (1) a change in a client's investment objectives, risk tolerance or tax status; (2) cash added or withdrawn from the account(s); (3)

purchase or sale of a security; and (4) changes in market conditions as well as macroeconomic and company-specific events.

### **B. Regular Reports**

Family client financial, investment and other types of reports are prepared by Ohana throughout the year and reviewed with our family clients based on each clients needs with a goal of meeting at least quarterly. This comprehensive review is conducted by the Investment Committee and the members of Ohana's client service team.

In addition, communications including emails, phone calls and meetings occur based on certain triggering events, such as a required financial action, consideration of new investments or investment changes, discussion of significant changes in the economic or investment climate, or personal events with family members requiring discussion or action.

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

Ohana does not receive any type of economic benefit from any third party for providing investment advice or other advisory services to our family clients, except as follows:

Ohana may receive an economic benefit from brokers in the form of the support products and services they make available to Ohana. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12 – Brokerage Practices. The availability to Ohana of the brokers' products and services is not based on Ohana giving particular investment advice, such as buying particular securities for clients.

For one family, a senior Ohana principal is compensated separately for incremental management activities involving private direct investments, including service as Board Chairman. This structure, through a separate family LLC, provides the manager with a carried interest in any net profits in aggregate across these investments.

For another family, certain Ohana principals have been allowed to participate in small minority positions (2-5%) in family investment partnership funds, with the equity interest funded by a loan agreement at the Applicable Federal Rate. This is considered a recourse loan, such that the gain or loss to the Ohana principals would consist of the net difference between the investment funds ultimate return and the total debt plus accrued interest.

Ohana may, from time to time, depending on the needs of our family clients, suggest certain service providers to our family clients, such as accountants or attorneys. However, we do not have any type of referral arrangement in place and do not receive any direct or indirect benefit from these referrals.

## **ITEM 15: CUSTODY**

It has been determined that Ohana is deemed to have custody over the funds and securities of certain clients by way of an arrangement wherein an employee of Ohana serves as trustee to

those clients of the Firm. As such, Ohana is obligated to comply with the following requirements as imposed by the Custody Rule:

- ***Use of “qualified custodians” to hold client assets.*** Ohana maintains client funds and securities (with limited exceptions) with a “qualified custodian” that maintains the client’s funds and securities in a separate account under the client’s name.
- ***Client Notification.*** Ohana has notified the clients whose funds and securities the Firm has custody over in writing of the qualified custodian’s name, address, and the manner in which the funds or securities are maintained.
- ***Account statements for clients detailing their holdings.*** Clients will receive statements on at least a quarterly basis directly from the qualified custodian(s) that holds and maintains their investment assets. Clients are urged to carefully review all custodial statements and compare them to the reports provided by Ohana. Ohana’s reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.
- ***Annual surprise exams.*** Because Ohana has custody of client assets, the Firm has entered into a written agreement with an independent public accountant to examine those assets on a surprise basis every year.

## **ITEM 16: INVESTMENT DISCRETION**

In general, Ohana does not accept discretionary investment authority for its clients. There is one instance in which Ohana acts as the trustee for a client’s life insurance trust, and as such would have the authority to select money managers and/or investments for those life insurance policies. In this regard Ohana would be determined to have discretion over those assets. This discretion is limited to Ohana being able to select money managers and/or investments from the life insurance carrier’s list of available options on their platform.

As discussed above, Ohana does have Limited Power of Authority (“LPOA”) for trading in certain family clients’ brokerage accounts for convenience only, in order to execute trades with the pre-approval of the authorized client. These LPOA agreements are prepared using the brokerage’s standard forms.

## **ITEM 17: VOTING CLIENT SECURITIES**

Ohana’s policy and practice is to not vote proxies on behalf of our clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client’s account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan’s written documents. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client’s account. Ohana shall not be

deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

## **ITEM 18: FINANCIAL INFORMATION**

Ohana does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Ohana does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.