

# Pennington Partners & Co., LLC

## **ADV Part 2A, Appendix 1 Wrap Program Brochure Dated: April 27, 2016**

3 Bethesda Metro Center, Suite 700  
Bethesda, MD 20814

**This brochure provides information about the qualifications and business practices of Pennington Partners & Co., LLC (the “Pennington Partners”). If you have any questions about the contents of this brochure, please contact us at (202)-370-6435. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**References herein to Pennington Partners as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2            Material Changes**

This is Pennington Partners' initial filing.

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## **Item 4            Services, Fees and Compensation**

### **A.**

#### **INVESTMENT ADVISORY SERVICES**

Pennington Partners provides discretionary and non-discretionary investment advisory services on a wrap fee basis. (See discussion below). If a client determines to engage Pennington Partners on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody).

#### **PENNINGTON PARTNERS WRAP PROGRAM**

Pennington Partners provides investment management services on a wrap fee basis in accordance with Pennington Partners' investment management wrap fee program (the "Program"). Under the Program, Pennington Partners is able to offer participants discretionary or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, account maintenance, investment management fees, and in some instances, fees charged by independent managers and/or separately managed accounts. However, clients may be responsible for, but not limited to, trustee fees, mutual fund expenses, ETF expenses, mark-ups, mark-downs, transfer taxes, fees charged by independent managers and/or separately managed accounts (when such managers require the client to enter into a dual contract relationship) odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts (Such fees are in addition to any fees paid by the client to Pennington Partners and are between the client and the account custodian).

The current annual Program fee ranges from negotiable to 1.60%, based upon various objective and subjective factors. As a result, Pennington Partners' clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by Pennington Partners to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

Please Note: In limited circumstances, Pennington Partners may choose to offer its investment management services on an annual flat fee basis.

Under the Program, Pennington Partners shall have written authority to determine the type and amount of securities that are bought or sold. Clients who engage Pennington Partners on a discretionary or non-discretionary basis may, at anytime, impose restrictions, in writing, on Pennington Partners' authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Pennington Partners' use of margin, etc.).

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

**Fee Payment:** Clients will be charged quarterly in advance, at the beginning of each calendar quarter based upon the market value of the assets on the last business day of the previous quarter. Clients may elect to have Pennington Partners' advisory fees deducted from their custodial account.

**Please Note: Investment Performance:** As a condition to participating in the Program, the participant must accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies purchased and/or undertaken by Pennington Partners) may not: (1) achieve their intended objective; (2) be profitable; or (3) equal historical performance level(s) or any other performance level(s).

- B. Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Pennington Partners for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by Pennington Partners, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

**Conflict of Interest.** Because Program transaction fees and/or commissions are being paid by Pennington Partners to the account custodian/broker-dealer, Pennington Partners has an economic incentive to minimize the number of trades in the client's account. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.

- C. The Program fee does not include certain charges and administrative fees, including, but not limited to, trustee fees, mutual fund expenses, ETF expenses, IRA fees, mark-ups, mark-downs, transfer taxes, fees charged by independent managers and/or separately managed accounts (when such managers require the client to enter into a dual contract relationship), odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program fee.

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian. Pennington Partners' Program fee is inclusive of such fees and client will not incur any additional expense when tradeaway and/or prime broker fees are charged.

- D. Pennington Partners' related persons who recommend the Program to clients do not receive additional compensation as a result of a client's participation in the wrap fee program.

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

Pennington Partners' clients shall generally include individuals, business entities, trusts, estates, charitable organizations, and pension and profit sharing plans.

Pennington Partners generally requires a minimum annual fee of \$100,000 for investment advisory services. Pennington Partners, in its sole discretion, may waive its minimum annual fee requirement or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Please Note: Certain Independent Managers utilized by Pennington Partners, may impose more restrictive account requirements and billing practices than in place at Pennington Partners. In these instances, Pennington Partners may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager.

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

- A. Pennington Partners generally recommends that clients authorize the active discretionary management of all or a portion of their assets by and/or among certain independent investment manager(s) and/or separately managed accounts ("Independent Manager(s)"). To the extent applicable, Pennington Partners shall recommend/select Independent Managers consistent with the client's investment objectives. Factors which Pennington Partners shall consider in recommending/selecting Independent Managers include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The specific terms and conditions under which the client engages an Independent Manager may be set forth in a separate contract between the client and the Independent Manager (dual contract relationship). Also, when required, the client shall receive a copy of the Independent Manager's disclosure Brochure. As noted above, when an Independent Manager requires the client to enter into a dual contract relationship, the Independent Manager's fee shall be separate from and in addition to the Program fee charged by Pennington Partners.

However, Pennington Partners shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which Pennington Partners shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager.

- B. Pennington Partners acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by Pennington Partners, a conflict of interest arises in that Pennington Partners has a disincentive to trade securities in the client account. In addition, the amount of compensation received by

Pennington Partners as a result of the client's participation in the Program may be more than what an adviser offering similar services on an un-bundled basis would receive if the client paid separately for investment advice, brokerage and other services.

**Please Note:** When managing a client's account on a wrap fee basis, Pennington Partners shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs (including account transaction fees) incorporated into the wrap fee have been deducted. Accordingly, Pennington Partners has a conflict of interest because it has an economic incentive to maximize its compensation by seeking to minimize the number of transactions/total costs in the client's account.

- C. As discussed below, Pennington Partners also offers Investment Advisory services on a non-wrap basis, Retirement Plan Consulting and Financial Planning and Consulting to its clients.

## **OTHER ADVISORY BUSINESS SERVICES**

### **INVESTMENT ADVISORY SERVICES - NON-WRAP FEE BASIS**

Pennington Partners may provide discretionary and/or non-discretionary investment advisory services on a non-wrap *fee* basis. Pennington Partners' annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Pennington Partners' management (generally between negotiable and 1.50%) to be charged quarterly in advance.

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

### **RETIREMENT PLAN CONSULTING**

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

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

To the extent requested by a client, Pennington Partners may be engaged to provide a client with a onetime financial plan without ongoing investment management services on a stand-alone separate fee basis. Pennington Partners' planning and consulting fees are negotiable, but generally range from \$2,500 to \$25,000 on a fixed fee basis, and from \$250 to \$550 on an hourly basis, depending upon the level and scope of the service(s)

required and the professional(s) rendering the service(s). Prior to engaging Pennington Partners to provide planning or consulting services on a stand-alone basis, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Pennington Partners setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Pennington Partners commencing services.

If requested by the client, Pennington Partners may recommend the services of other professionals for implementation purposes, including certain of Pennington Partners' representatives in their individual capacities as licensed insurance agents. (*See* disclosure at Item 9 below). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Pennington Partners. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify Pennington Partners if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Pennington Partners' previous recommendations and/or services.

### **CONCIERGE WEALTH SERVICES**

Pennington Partners makes available to clients with at least \$10,000,000 in assets under management or who meet our retainer fee of \$100,000, the following wealth services to be provided by an unaffiliated third party:

- Family Wealth Coaching Sessions
- Access to an Estate Attorney
- Tax Services
- Health Management

Pennington Partners will suggest third party service providers for each of the services listed above. Eligible clients may work with the third party service provider of their choosing. Pennington Partners shall be responsible for up to \$10,000 of aggregate expense associated with these services. No client is under any obligation to utilize this resource and the client retains absolute discretion over all decisions made based upon guidance provided. Please Note: If a dispute arises relative to any service rendered by an unaffiliated third party, the client agrees to seek recourse exclusively from and against the engaged professional.

### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Pennington Partners may provide consulting services regarding non-investment related matters, such as estate planning, insurance, etc. Neither Pennington Partners, nor any of its representatives, serves as an attorney or an accountant and no portion of Pennington Partners' services should be construed otherwise. To the extent requested by a client, Pennington Partners may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of Pennington Partners' representatives in their individual

capacities as licensed insurance agents, as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Pennington Partners. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Private Investment Funds.** Pennington Partners may provide investment advice regarding unaffiliated private investment funds. Pennington Partners' role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Pennington Partners calculating its investment advisory fee. Pennington Partners' clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

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

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

**Independent Managers/Separately Managed Accounts.** Pennington Partners generally recommends that clients authorize the active discretionary management of all or a portion of their assets by and/or among certain independent investment manager(s) and/or separately managed accounts ("Independent Manager(s)"). To the extent applicable, Pennington Partners shall recommend Independent Managers consistent with the client's investment objectives. Factors which Pennington Partners shall consider in recommending Independent Managers include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The specific terms and conditions under which the client engages an Independent Manager may be set forth in a separate contract between the client and the Independent Manager. Also, when required, the client shall receive a copy of the Independent Manager's disclosure Brochure. As noted above, when an Independent Manager requires the client to enter into a dual contract relationship, the Independent Manager's fee shall be separate from and in addition to Pennington Partners' Wrap Program fee if the client

had engaged Pennington Partners on a wrap fee basis. However, in such circumstances Pennington Partners shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which Pennington Partners shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager.

**Sub-Advisory Arrangements.** Pennington Partners may engage sub-advisors for the purpose of assisting with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Pennington Partners. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by sub-advisor or Pennington Partners. Pennington Partners will render ongoing and continuous advisory services to the client relative to the monitoring and review of account performance, client investment objectives, and asset allocation. Pennington Partners shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Pennington Partners' Chief Compliance Officer remains available to address any questions concerning the Registrant's sub-advisory arrangements.

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

**Use of Mutual Funds.** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Pennington Partners independent of engaging Pennington Partners as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive the benefit of Pennington Partners' initial and ongoing investment advisory services.

**Retirement Rollovers:** A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his former employer's plan, if permitted, ii) roll over the assets to his new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Pennington Partners may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by Pennington Partners. As a result, Pennington Partners and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to Pennington Partners (unless you engage Pennington Partners to monitor and/or manage the account while maintained at your employer). Pennington Partners has an economic incentive to encourage an investor to roll plan assets into an IRA that Pennington Partners will manage or to engage Pennington Partners to monitor and/or manage the account while maintained at your employer. There are various factors that Pennington Partners may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the

plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus Pennington Partners', iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by Pennington Partners or to engage Pennington Partners to monitor and/or manage the account while maintained at your employer. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Pennington Partners may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating Pennington Partners' advisory fee.

**Please Note:** When the account is holding cash positions, those cash positions will be subject to the same fee schedule. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

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

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

Pennington Partners shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Pennington Partners shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on Pennington Partners' services.

There is no material difference between how the Registrant manages wrap fee and non-wrap fee accounts. However, as stated above, If a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. asset management, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need.

**Conflict of Interest:** Because Program transaction fees and/or commissions are being paid by Pennington Partners to the account custodian/broker-dealer, Pennington Partners could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. Pennington Partners' Chief Compliance Officer

remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create

### **Performance Based Fees and Side-By-Side Management**

Neither Pennington Partners nor any supervised person of Pennington Partners accepts performance-based fees.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Pennington Partners may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Pennington Partners may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

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

Pennington Partners' methods of analysis and investment strategies do not present any significant or unusual risks.

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

Pennington Partners' primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to

potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Pennington Partners may also implement and/or recommend the use of option strategies. The use of options has a high level of inherent risk. Accordingly, the decision as to whether to employ option strategies is left totally to the discretion of client.

Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Pennington Partners shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Please Note: Although the intent of the options-related transactions that may be implemented by Pennington Partners is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Pennington Partners, in writing, not to employ any or all such strategies for their accounts.

Currently, Pennington Partners primarily allocates client investment assets among various independent managers, separately managed accounts, individual equity, fixed income securities, mutual funds and/or exchange traded funds, hedge funds, Real Estate Investment Trusts and Master Limited Partnerships on a discretionary or non-discretionary basis in accordance with the client's designated investment objective(s).

From time to time, and only in those cases where the client is eligible to do so, Pennington Partners may recommend participating in initial and secondary public offerings ("IPOs"). In addition to the risks set forth above, given the nature of such offerings they may have more volatility in price than existing equities that are currently traded and have a trading history. Accordingly, the decision as to whether to participate in initial or secondary offerings is left totally to the discretion of client.

### **Voting Client Securities**

Pennington Partners does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Pennington Partners to discuss any questions they may have with a particular solicitation.

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

Pennington Partners shall be the Program's portfolio manager. Pennington Partners shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Pennington Partners shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on Pennington Partners' services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify Pennington Partners if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Pennington Partners' previous recommendations and/or services.

To the extent the Program utilizes independent Manager(s), Pennington Partners shall provide the independent manager(s) with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to Pennington Partners shall be communicated to the independent manager(s) within a reasonable period of time.

#### **Item 8            Client Contact with Portfolio Managers**

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

#### **Item 9            Additional Information**

- A. Pennington Partners has not been the subject of any disciplinary actions.

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

Neither Pennington Partners, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

**Licensed Insurance Agents.** As disclosed above, certain of Pennington Partners' representatives are licensed insurance agents. These individuals may recommend the purchase of insurance-related products on a commission basis.

**Conflict of Interest:** The recommendation by Pennington Partners' representatives, that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Pennington Partners'

representatives or affiliates. Clients are reminded that they may purchase insurance products recommended by Pennington Partners through other, non-affiliated insurance agents, respectively. Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

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

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

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

As disclosed above, Pennington Partners may recommend participation in initial and secondary offerings to eligible clients. In such cases, offerings may be available in limited quantities wherein Pennington Partners may need to allocate shares to clients in a lesser proportion than as requested by the client. These situations create a potential conflict of interest and in such cases Pennington Partners will manage such conflicts through applicable policies and procedures.

Neither Pennington Partners nor any related person of Pennington Partners recommends, buys, or sells for client accounts, securities in which Pennington Partners or any related person of Pennington Partners has a material financial interest.

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

Pennington Partners has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Pennington Partners' "Access Persons". Pennington Partners' securities transaction policy requires that an Access Person of Pennington Partners must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Each quarter, Access Persons shall provide a summary of their personal transactions to the Chief Compliance Officer or his/her designee. Each Access Person must also provide the Chief Compliance Officer or his/her

designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Pennington Partners selects.

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

#### **REVIEW OF ACCOUNTS**

For those clients to whom Pennington Partners provides investment supervisory services, account reviews are conducted on an ongoing basis by Pennington Partners' Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise Pennington Partners of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Pennington Partners on an annual basis.

Pennington Partners may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Pennington Partners may also provide a written periodic report summarizing account activity and performance.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Pennington Partners, without cost (and/or at a discount), may receive support services and/or products from broker-dealer/custodian(s).

Pennington Partners' clients do not pay more for investment transactions effected and/or assets maintained at these broker-dealer/custodian(s) as result of these arrangements. There is no corresponding commitment made by Pennington Partners to any broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of any arrangement.

Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

Neither Pennington Partners nor any related person of Pennington Partners directly or indirectly compensates any person for client referrals.

**FINANCIAL INFORMATION**

Pennington Partners does not solicit fees of more than \$1,200, per client, six months or more in advance.

Pennington Partners is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Pennington Partners has not been the subject of a bankruptcy petition.

**ANY QUESTIONS:** Pennington Partners' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.