

**FORM ADV PART 2A**

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FORM ADV PART 2A - BROCHURE

**FIVE FALLS CAPITAL PARTNERS, LLC**

2987 Clairmont Road  
Suite 200  
Atlanta, GA 30329

Telephone: 404-954-1922

[www.fivefallscapital.com](http://www.fivefallscapital.com)

June 1, 2016

This Brochure provides information about the qualifications and business practices of Five Falls Capital Partners, LLC ("FFCP," the "Firm," "we," "us," or "our"). If you have any questions about the contents of this Brochure, please contact R. Terrence Irrgang, Chief Compliance Officer at 404-954-1922 or [terry@fivefallscapital.com](mailto:terry@fivefallscapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

FFCP is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications provided by an Advisor contains information that can help you determine whether to hire or retain an Advisor.

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

## **MATERIAL CHANGES (Item 2)**

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***This version of our Brochure dated June 1, 2016 is our initial Brochure.***

Investment advisors are required to prepare a disclosure document such as this one, commonly referred to as a “Brochure,” that describes the advisor and its business practices. Pursuant to SEC rules, FFCP is required to update our Brochure at least annually and provide clients and prospective clients with a summary of any material changes since the previous annual amendment.

In the future, this Item will be reserved for discussion of the specific material changes made to the Brochure since the last annual update.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and any subsequent Brochures within 120 days of the end of our fiscal year. We may also provide information about material changes as necessary between annual updates to our Brochure.

We will deliver a complete copy of our Brochure upon your request at any time during the year. Please contact R. Terrence Irrgang, Chief Compliance Officer at 404-954-1922 or [terry@fivefallscapital.com](mailto:terry@fivefallscapital.com), to request a brochure.

Additional information about FFCP is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with FFCP who are registered as investment advisor representatives of FFCP.

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#### **ADVISORY SERVICES (Item 4)**

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FFCP was formed in 2016 and is an SEC-registered investment advisor located in Atlanta, Georgia. As of the date of this Brochure, FFCP is a newly-registered investment advisor and does not have any assets under management.

W. Andrew Bruner, R. Terrence Irrgang and Ian T. Zabor are the sole members and managers of FFCP. The firm currently has three employees. Bruner, Irrgang and Zabor have managed investments together for many years at Equity Investment Corporation, where they were employed prior to founding FFCP.

FFCP plans to provide investment advisory services to individuals, trusts, estates, charitable organizations, governmental entities, corporations and other business entities, foundations, endowments, pension and profit sharing plans, Taft-Hartley plans, registered investment companies (mutual funds), and private investment funds. Our services primarily pertain to equities but can from time to time include mutual funds, ETFs and bonds. We offer to serve as a sub-advisor to other registered investment advisers.

We offer the following equity strategies: All-Cap Value and Large-Cap Value. All portfolios in a particular strategy are managed similarly. Clients may impose reasonable restrictions on investments, including restrictions of specific securities, industries or sectors. However, we will not provide services to a client whose investment objective we consider incompatible with our strategies or to a client who seeks to impose restrictions we consider unreasonable.

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**FEES AND COMPENSATION (Item 5)**

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FFCP charges fees that are calculated as a percentage of your assets that we manage. Our standard fee schedule is:

<b>Assets Under Management</b>	<b>Fee</b>
\$0 - \$4,999,999	1.00%
\$5,000,000-\$24,999,999	0.75%
\$25,000,000 and up	0.50%

Fees may be negotiated, with factors such as size of overall relationship as well as client servicing, administrative and reporting requirements taken into consideration.

Fees are owed quarterly in advance. Client may choose to have fees deducted from Client's account or to pay upon invoice. If our contract is terminated, we will refund any unearned fees calculated pro-rata based on the number of days we managed the account.

Our fees do not include brokerage commissions, transaction fees, and other costs and expenses charged by the client's broker, custodian or other service providers. Clients will pay such costs and expenses separately.

In specific circumstances we may purchase mutual funds or exchange traded funds (ETFs) in a client's account. Mutual funds and ETFs charge management fees and incur other costs as disclosed in the fund's prospectus. Such fees and costs are in addition to our fees and clients should be aware that they may be paying higher total fees when mutual funds and ETFs are held in an account we manage. We do not receive any fees, commissions or compensation of any kind from mutual funds and ETFs held in client accounts.

**PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT (Item 6)**

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FFCP does not offer performance based fee arrangements or side-by-side management.

## **TYPES OF CLIENTS (Item 7)**

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FFCP plans to provide investment advisory services to individuals, trusts, estates, charitable organizations, governmental entities, corporations and other business entities, foundations, endowments, pension and profit sharing plans, Taft-Hartley plans, registered investment companies (mutual funds), and private investment funds. Our requirements for opening and maintaining a portfolio depend on the type of account as well as the level of account servicing and communication wanted by the client. The minimum value at which an account may be opened is \$1 million subject to waiver at our sole discretion.



**METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS (Item 8)**

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**Investment Strategies**

We offer All-Cap Value and Large-Cap Value investment strategies, investing primarily in common stocks. The goal of both strategies is to outperform their respective benchmarks and provide satisfactory nominal returns, over a full market cycle, while maintaining risk metrics that are lower than those of the benchmarks. Both strategies employ the same valuation approach, the same analytical framework, the same research process and the same focus on risk management. Both strategies are implemented by the same investment team.

**Stock Investment Decision Making Process and Methods of Analysis****Our Investable Universe**

With our All-Cap Value strategy, we employ a go-anywhere approach to stock market investing for which the investable universe encompasses companies traded in US markets with sufficient trading liquidity to allow us to reasonably enter and exit positions. In practice, our universe includes companies within the capitalization size range of the Russell 3000 index, including large cap, mid cap and small cap companies. While most of our investments are in US companies, we will also invest in non-US companies that trade in US markets through American Depositary Receipts (ADRs) or similar vehicles with sufficient liquidity.

With our Large-Cap Value strategy, we will further restrict our investable universe to only those companies within the capitalization size range of the Russell 1000 index which includes large cap and mid cap companies.

**Valuation and Price Discipline**

Implementing a rigorous valuation discipline, and therefore reducing price risk, is an important element of overall investment risk management. We employ a valuation approach that we believe is sufficiently restrictive to reduce the risk of overpaying and incorporate an adequate margin of safety in our investments, while allowing us to own quality businesses that we believe can grow and earn high incremental returns on capital.

Our primary valuation methodology relies upon principles similar to Economic Value Added (EVA) analysis, whereby excess value is created by a company's ability to invest for growth at rates of return in excess of its cost of capital. Companies that grow earnings at high incremental returns on capital will generate high returns for their owners, and our valuation methodology allows us to pay higher prices for firms that demonstrate the ability to do so. Companies that earn high returns on capital frequently also generate high levels of cash flow and typically are less capital intensive, further reducing risk for the investor and adding to their attractiveness as investments.

Companies that demonstrate stable and repeatable earnings, that have attractive profitability metrics and that are conservatively capitalized typically are able to access capital at lower

cost. Accordingly, in such cases we use a lower EVA hurdle reflecting a lower cost of capital. More volatile companies with lesser profitability metrics and more financial leverage are assigned higher hurdle rates. By adjusting the EVA hurdle rate based on factors of quality, our valuation methodology incorporates a bias toward high-quality companies and embeds in our portfolios a preference for durable, less volatile earnings, thereby further reducing investment risk.

As a supplement to our primary valuation methodology we believe our understanding of a company's value is aided by use of comparable analysis, industry-specific metrics, and asset/liability valuations to corroborate our assessment of an investment's value and safety.

### **Multi-Period Financial Statement Analysis and Value Trap Identification**

Financial statement and ratio analysis, considering how certain components of financial statements interrelate with other components over time, is useful for efficiently understanding important financial characteristics of a business. Financial statement and ratio analysis is particularly important to our process because it can be performed by our investment team in a time-efficient manner, allowing us to eliminate from consideration investments with characteristics unlikely to satisfy our investing criteria and thus allowing our team to concentrate research time on candidates more likely to be purchased.

For purposes of financial statement analysis, we access and analyze large amounts of data via our service provider, S&P CapitalIQ. Using S&P CapitalIQ's web-based platform, we are able to parse a wide array of relevant information across varying time periods and in both numeric and graphic formats, depending on which are most suitable to the desired analysis.

As a value manager, we search for opportunities among investments that the market perceives as entailing heightened risks as demonstrated by relatively low valuation. This pool of investment candidates typically offers us many opportunities that we believe are attractively priced and relatively safe. Unfortunately, the pool is also heavily populated by value traps, which we define as investments which look attractively priced based on conventional metrics but which have characteristics that will cause them to stay cheap or get cheaper. Examples of these characteristics include:

- Low structural returns on capital below the cost of capital, which destroys value.
- Deterioration in underlying fundamentals such that relying on assumptions derived from the company's history causes the investor to overestimate the value of the business.
- Liabilities, whether on the balance sheet or off, sufficiently large that the business is vulnerable to what would otherwise be relatively modest fundamental or cyclical decline.

- Cyclically high earnings that the market assesses to be less cyclical than they are in reality.
- Earnings that are unrepeatable due to business-specific factors.
- Persistently high capital reinvestment requirements preventing free cash flow from tracking reported earnings. [SECOND LINE NEEDS TO BE INDENTED]

As value investors we will not avoid every value trap, but focusing on avoiding characteristics consistent with value traps can help us reduce risks in the portfolio.

### **In-depth Accounting, Earnings Quality and Financial Due Diligence**

If a potential investment meets our valuation criteria and is not disqualified because of financial statement analysis due to structural weaknesses or characteristics consistent with value traps, we will conduct in-depth accounting, earnings quality and financial due diligence analysis.

Our goal in this step of the process is broadly two-fold. First, we seek to answer questions raised in our valuation work and financial statement analysis. For instance, ratio analysis may reveal changing balance sheet patterns, volatility in margins, or increasing leverage and we will rely on the due diligence step to determine if those questions can be answered satisfactorily or if they instead raise concerns causing us to avoid the investment. Likewise, in-depth due diligence is important in confirming that earnings may prudently be considered sustainable. Second, we look widely within a company's public disclosures for other factors not raised by the first two steps of the process but nonetheless potentially disqualifying. For instance, through reading the company's filings we may learn of product or customer concentrations, off-balance sheet liabilities such as unreserved litigation exposures, or accounting policy choices indicating overly aggressive earnings management.

In-depth due diligence is the most time-consuming step of our process but is worthwhile in that it provides information enabling judgments about the validity of our valuation assumptions, the soundness of a company's financial position, and the risks we will assume as owners of the company.

Importantly, the goal of in-depth due diligence is not primarily to uncover unknown information about a company. Today, information is widely and instantly available; it is rare to uncover new information not known to other market participants. It is, however, common to uncover information that, while known, is not judged by others to be as impactful to the investment decision as we deem it to be. Accordingly, we approach the time-consuming, laborious process of in-depth due diligence as a critical task that sometimes yields information important to the decision-making and risk-management process.

### **Equity Portfolio Construction**

We construct portfolios stock-by-stock using fundamentally-based, bottom-up selection. Positions will typically range in size from 1.5% to 4.5% of the portfolio with larger position size

indicating a price sufficiently attractive relative to our assessment of the investment's risk. We believe position size is an important element of risk management. For example, an investment's risk may be acceptable as a 2% position yet unacceptable as a 4% position. Accordingly, our assessment of an investment's risk is more likely to determine position size than is valuation.

To be included in portfolios, stocks must each individually meet our investment criteria. We also carefully consider portfolio company interactions with the goal of managing cumulative portfolio exposures to unpredictable outside factors which are beyond the control of the companies. For example, in creating our portfolios we will consider our aggregate exposure to factors such as commodity prices or interest rates.

Adding to and trimming from existing positions based on changes in price and underlying fundamentals is an important element of our portfolio management. As an investment's price rises relative to our assessment of its value, price risk increases and we will frequently trim the position's size. Conversely, if we believe an investment whose price has declined still represents an attractive candidate based upon our valuation, we may purchase additional shares.

We strive to fully deploy portfolios, preferring to be invested in stocks without regard to any view of overall market valuation or macroeconomic environment. However, we will hold cash in portfolios when we are unable to identify sufficient opportunities we believe will adequately compensate investors for the incremental risks assumed. In that way, cash is a residual of the portfolio construction process. Holding cash increases the risk of underperforming a rising market; we view this risk as less critical than the risk of losing capital.

### **Sell Discipline**

We will sell a position when:

- It reaches our assessment of full value;
- It suffers fundamental decline in, or change to, its business which renders our valuation assumptions invalid; or
- We identify a more attractive opportunity.

### **Risk of Loss**

Each step of our investment process is engineered to reduce the risk of permanent capital loss. We judge the risk of capital loss to be far more important than the risk of underperforming an index or competing investments. Accordingly, we strive to reduce risk of loss by 1) exercising a strict valuation discipline in order to reduce the risk of overpaying for an investment, 2) employing a robust financial statement and ratio analysis process to avoid value traps, 3) performing in-depth accounting, earnings quality, and financial due diligence to consider, as best we can as outside investors, the factors that will determine the

company's future success and its ability to sustain earnings and cash flow, and 4) diversifying our portfolios through prudent portfolio construction in order to regulate our exposure to company-specific risks and outside macro factors, especially to unexpected developments that can impair investment value.

Our philosophy is that managing risk of loss and losing less when markets decline is critical to outperforming markets over a full cycle.

Despite our focus on managing risk, investments in equity securities carry inherent risks that are typically higher than the risks of some other investment options. Furthermore, there can be no assurance that our efforts to manage risk will be successful over an investor's relevant time frame. Investors should therefore only invest in our strategies when equity risk is consistent with their investment risk tolerance in the context of their overall portfolio.

**DISCIPLINARY INFORMATION (Item 9)**

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The Firm has no legal or disciplinary events to report.

**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (Item 10)**

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The Firm has no other financial industry activities or affiliations.

**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (Item 11)**

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**Code of Ethics**

The Firm has adopted a Code of Ethics (the “Code”) that is reasonably designed to address potential conflicts of interest and prevent prohibited acts. Our Code reflects the principle that our employees owe a fiduciary duty of care, loyalty and good faith to our clients. The Code also requires that our employees must comply with applicable federal and state securities laws and may not engage in any act, practice or course of conduct that operates as a fraud or deceit upon our clients.

In general, our Code contains policies and procedures that require our employees to:

- act prudently, honestly and ethically in all of their business dealings;
- conduct themselves professionally and with integrity by acting in a fiduciary capacity and placing the interests of clients ahead of personal interests at all times;
- act in accordance with all applicable federal and state regulations governing registered investment advisory practices;
- exercise care and diligence in maintaining and protecting clients’ confidential information;
- follow our personal securities trading procedures, including identifying brokerage or securities accounts to us, pre-clearing trades in reportable securities (excluding certain exempted transactions), and reporting securities transactions and holdings to us on a regular basis;
- certify their compliance with our Code on a periodic basis; and
- report promptly any violations or suspected violations of the Code.

**Personal Trading**

Subject to complying with our Code, as well as with all applicable rules and regulations, our employees may trade for their own accounts in securities which are recommended for our clients. The Code is designed to ensure that the personal securities transactions of our employees will not interfere with the best interests of our clients while, at the same time, allowing employees to invest for their own accounts. Broadly speaking, the Code requires all FFCP employees to subordinate personal interests to those of our clients.

Employees of FFCP may purchase, sell or have an interest in the same securities that we purchase, sell or otherwise recommend for client portfolios. This can create potential conflicts of interest because FFCP employees may have an incentive to favor their own portfolios, or



portfolios in which they have a direct or indirect financial interest, over client portfolios. We believe that we have implemented policies and procedures that are reasonably designed to mitigate these potential conflicts of interest. For example, it is our express policy that no employees may purchase or sell any security before a transaction is implemented for an advisory client in such a manner that would allow the employee to benefit from the transactions placed on behalf of the advisory client.

We require all employees to submit certain reports regarding personal investment accounts. More specifically, employees are required to report their personal brokerage or securities accounts to us, pre-clear trades in reportable securities, and report certain securities transactions promptly at the end of each calendar quarter. Our Chief Compliance Officer or other designated personnel regularly reviews the reports to determine if any conflicts of interest exist.

Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interests of our clients. Additionally, the Code requires pre-clearance of many transactions and limits employee trading in close proximity to trades performed on behalf of clients. Moreover, we continually monitor employee trading under the Code to reasonably discourage conflicts of interest between our employees and our clients. Nevertheless, there is a possibility that employees might benefit from market activity by a client in a security held by an employee because the Code in some circumstances would permit employees to invest in the same securities as clients. While we believe that our policies and procedures are prudently designed to prevent prohibited acts and address potential conflicts of interest between our employees and clients, clients should be aware that no set of rules can conceivably anticipate or relieve all possible conflicts.

FFCP clients or prospective clients may request a copy of our Code of Ethics by contacting R. Terrence Irrgang at [terry@fivefallscapital.com](mailto:terry@fivefallscapital.com) or 404-954-1922.

**BROKERAGE PRACTICES (Item 12)**

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**Best Execution and Brokerage Discretion**

We may select broker-dealers to execute transactions. When we do so, we seek the best execution for our clients. We define “best execution” as well-informed trade execution decisions made with the intention of maximizing the value of client portfolios under the particular circumstances at the time. In addition to minimizing the costs of transactions, “best execution” strives to achieve the most favorable bottom-line implementation of our investment decisions. We believe best execution is an ongoing process rather than a readily measureable stand-alone event.

We seek the best overall execution of our investment decisions on behalf of our clients. For trades that are not directed by clients to a specific brokerage firm, we may consider several factors when selecting brokers to execute trades, including:

- the quality of executions and liquidity provided by the broker;
- the ability of the broker to maintain confidentiality of client orders and order flow;
- the ability of the broker to minimize market impact for client transactions;
- the commission rates charged by the broker in comparison to the rates charged by other brokers for similar transactions;
- the research, brokerage and other ancillary services provided by the broker;
- the broker’s ability to obtain timely, accurate and cost-effective executions;
- the ability of the broker to accurately communicate the nature of the market in a particular security;
- the broker’s execution policies and commitment to providing best execution;
- the frequency and amount of price improvement typically provided by the broker;
- the size and volume of the broker’s order flow; and
- the efficiency and accuracy of the broker’s operations with regard to settlement procedures.

We pay close attention to the commissions, bid-ask spread, market impact and opportunity costs associated with each and every transaction. To that end, where not directed by clients to trade with a specific brokerage firm, we will attempt to negotiate low commission rates and minimize all other transaction costs.

**Client-Directed Brokerage Practices**

Many of our clients hire us to manage a portion of their overall investment portfolio. They may have broader investment objectives than those represented solely by the portion of their portfolio that we manage. Accordingly, clients may direct us in writing to trade with specific brokerage firms for execution and implementation of our investment decisions, allowing them to receive other services of value not provided by us. Such services include but are not limited to custody, ongoing consultation and advice, asset allocation recommendations, financial planning, help with the selection of investment managers, on-going monitoring of their investments, and assistance with non-FFCP related financial matters. In these cases, our ability to obtain best execution in the implementation of our investment decisions may be compromised by the client's desire to receive such other services, and the client should understand that we are not negotiating brokerage commissions on their behalf. Consequently, commissions or brokerage fees for such accounts may be higher than for accounts where such services are not being provided.

**Trade Aggregation and Allocation**

We manage each client's portfolio based on their investment objectives, time horizon, guidelines, restrictions, tax status, risk profile, liquidity requirements and other relevant considerations, which may overlap with those of other clients. Accordingly, we generally have discretionary authority to aggregate purchase and sale orders for a particular security. This may enable us to (1) limit the number of parties who know about the trade by directing the entire order to a particular broker, thus reducing our footprint in the market; (2) take advantage of the larger order size to interact with larger buyers and sellers; (3) negotiate better transaction prices; and/or (4) reduce transaction costs.

We establish a trade rotation whenever a security is traded across participating accounts and through various brokerage firms. With all of our purchases and sales, we alternate trade order to ensure that all accounts are treated impartially. To ensure fairness, each mass trade receives a new rotation. By doing so, all accounts under our supervision are treated equally, whether directed or non-directed, discretionary, non-discretionary or advisory.

To further ensure impartial treatment, we have adopted policies and procedures for allocating client securities transactions. Typically, an order may be worked over several days with a brokerage firm. If the trade is completed and each client participating in an aggregate order receives a full allocation, then each participating client generally receives the average price per share paid or received for the purchased or sold securities. If each client participating in an aggregated order receives less than its full allocation, then each participating client generally receives their pro-rata share of the executed order. Under certain circumstances, however, we have discretion to use alternative allocation procedures as long as the allocation is not made in a way that systematically discriminates in favor or against any client or set of clients. The circumstances under which we may use alternative allocation procedures include when:

- a pro-rata allocation would result in one or more participating clients receiving an odd lot of securities;
- a pro-rata allocation would increase transaction costs for certain participating clients;
- a pro-rata allocation would be inconsistent with a participating client's investment guidelines, available cash or liquidity requirements; or
- an alternative allocation is necessary to achieve or restore an appropriate weighting in a security for participating clients.

**Soft Dollars**

We do not enter into formal soft-dollar commitments with broker-dealers. From time to time, we may initiate transactions for clients with broker-dealers who incidentally provide us with research or other ancillary products and services, thereby affording us assistance in the performance of our investment decision-making responsibilities. Notably, we do not pay higher commissions than could otherwise be obtained as consideration for any of these products or services. Instead, we pay competitive commission rates to all of the broker-dealers with whom we trade, as well as regularly evaluating the overall cost and quality of their trade executions and the quality and efficiency of their back-office operations.

**Trade Errors**

On occasion, a trade error that results in a loss or profit to the client may occur in a client portfolio. It is our policy to correct trade errors as soon as possible. If a trade error occurs that results in a loss for a client portfolio, we will correct the trade error, and we or the broker responsible for the trade error will bear the full amount of the loss. If a trade error occurs that results in a gain for a client portfolio, we will correct the trade error, and the gain will be credited to the client portfolio to the extent permitted by the client's custodian.

Corrective actions depend on the circumstances and may include canceling the trade, adjusting an allocation, and/or reimbursing the account. When a trade error occurs, a Trade Order Form must be completed, signed by the trader and submitted to our Chief Compliance Officer.

## **REVIEW OF ACCOUNTS (Item 13)**

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Our investment team reviews client portfolios on an ongoing basis for adherence to stated investment objectives and guidelines, as well as internal policies and procedures. In addition, we monitor consistency across all accounts, reviewing asset allocations, cash levels, and sector exposures, as well as which stocks are held in which portfolios and at what weights. Our goal is to ensure that there is relatively little difference in the portfolio characteristics, sector/industry weightings and actual holdings among portfolios with comparable objectives.

We also periodically review, at least quarterly, the performance of each client account compared with standard indices and with accounts of like objectives. Performance outliers are analyzed to determine the cause of any disparity, and corrective action is taken when needed.

Generally, we provide quarterly reports to those clients who have requested and contracted to receive communications directly from us. We also provide our investment commentary to clients, sharing our views about the economy, the capital markets and a client's respective portfolio. Reports may include a portfolio summary, a performance review, and investment analysis, a list of portfolio holdings and a quarterly activity summary. We encourage clients to compare our reports to all account statements received from the custodian over the same period.

**CLIENT REFERRALS AND OTHER COMPENSATION (Item 14)**

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Currently, we do not have any client referral or other compensation agreements.

## **CUSTODY (Item 15)**

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We do not have physical custody of any client funds or securities, nor do we typically participate in the selection of custodians.

Although we do not have physical custody of any assets, we may be deemed to have custody under federal securities law if and when our investment management agreement permits us to deduct our management fees directly from client accounts. In such cases, we submit an invoice for our management fees directly to the client's custodian, and we send the client a quarterly statement identifying the amount of the management fee and the manner in which it was calculated.

Clients should receive account statements from the broker-dealer, bank or other qualified custodian and should thoroughly review those statements. Unless clients instruct us otherwise, they will also receive account statements from us and are urged to carefully compare our account statements against the account statements received from the qualified custodian. Notably, our statements may differ from the custodians' based on accounting procedures, reporting dates or valuation methods used for certain securities.

## **INVESTMENT DISCRETION (Item 16)**

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We accept discretionary authority to manage securities accounts on behalf of clients by entering into a written investment management agreement with the client. In those cases where we have been granted discretionary authority, we may make investment decisions for clients, such as determining the securities to be bought or sold for their portfolios, the broker to be used for such purchases or sales (unless otherwise directed by the client), and the commission rates to be paid to brokers for such purchases and sales without obtaining the client's consent on a decision-by-decision basis.

Any limitations clients may place on this authority are addressed in the investment management contract and any written client investment policies or guidelines. Under certain circumstances, for example, clients may restrict our ability to purchase securities of selected companies on their behalf or may provide us with socially responsible investment restrictions for their portfolios.

We do not provide legal advice or act on behalf of our clients in connection with any legal proceedings, such as class actions or bankruptcies, involving companies whose securities are held or were previously held in client portfolios. Although we may assist clients in preparing documentation related to these matters, clients must ultimately determine whether or not to participate in any such legal proceedings.



## **VOTING CLIENT SECURITIES (Item 17)**

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FFCP votes proxies on behalf of its clients except when a client elects to vote proxies itself. FFCP will vote proxies solely in what we believe are the best long-term economic interests of our clients. In most cases where we have significant disagreement with a company's strategy or question management's integrity or motives, we will "vote with our feet" by selling the investment. It will therefore be relatively infrequent that we oppose management's recommendations except in a few key areas as follows:

- In matters of compensation, we will typically take a more restrictive view than some managements. In particular, we will vote against incentive and stock-compensation arrangements if we believe the terms or amounts are excessive.
- In matters of corporate governance such as voting rights or separation of chairman and CEO roles, we will vote in ways we believe will promote optimal shareholder democracy and management accountability.
- In votes pertaining to material transactions such as proposed mergers and acquisitions, we will vote consistent with our view of which choice will maximize shareholder value, which may differ from management's view.

FFCP will maintain records of all votes cast and will provide details to clients upon request. Clients may obtain a copy of our proxy voting policies and procedures upon request as well.

**FINANCIAL INFORMATION (Item 18)**

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As a registered investment advisor, we are required to make available certain financial information or disclosures about our financial condition.

We have no financial commitments impairing our ability to meet contractual and fiduciary obligations to clients, and we have never been the subject of a bankruptcy proceeding. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.