

**Item 1: Cover Page**

**Business Name:**

Faraco Partners, LLC

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This brochure provides information about the qualifications and business practices of Faraco Partners, LLC. If you have any questions about the contents of this brochure, please contact us at +1 (914) 723-7600 and/or francisco.j.faraco@fp.network. 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 Faraco Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**Item 2: Material Changes**

This item is not applicable to Faraco Partners, LLC

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#### **Item 4: Advisory Business**

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Faraco Partners, LLC was founded in February 2017 and would offer portfolio management services for individuals and/or small businesses based in the US and abroad. Francisco J. Faraco is the owner, control person and sole proprietor of Faraco Partners, LLC.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments

Faraco Partners, LLC would offer portfolio management services for individuals and/or small businesses. Faraco Partners, LLC specializes in fundamental analysis, which involves making investment decisions based on examination of the economy, an industry or sector and company variables that lead to an estimate of value for an investment, which is then compared to the prevailing market price of the investment. Faraco Partners, LLC provides investment advice in six mayor asset classes (i.e., equities, fixed income, real estate, commodities, derivatives and alternative investments).

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

Faraco Partners, LLC tailors its advisory services to the individual needs of clients through an Investment Policy Statement (IPS). The IPS is a document drafted between Faraco Partners, LLC and the client that outlines the general investment goals and objectives, risk/potential returns and constraints of the client's portfolio as well as describes the strategies that Faraco Partners, LLC should employ to meet these objectives. The IPS is created during the first meeting(s) and updated every time a substantial material change happens. As part of the IPS and, specifically, to the portfolio's limits and constraints, client may impose restrictions on investing in certain securities or type of securities.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services. Faraco Partners, LLC does not participate in wrap fee programs by providing portfolio management services. Thus, this item is not applicable to Faraco Partners, LLC

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

Faraco Partners, LLC manages US\$171,800,000.00 of client assets on a non-discretionary basis. The "as of" date Faraco Partners, LLC calculated the amount of clients' asset managed on a non-discretionary basis was December 31, 2017.

## **Item 5: Fees and Compensation**

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Faraco Partners, LLC is compensated for its advisory services by a percentage of assets under management. The fee schedule is 0.5% per trimester of the assets under management at market value. The fees are not negotiable. In some cases, Faraco Partners, LLC might decide to charge certain clients another type of fee, such as an annual flat fee.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Faraco Partners, LLC bills clients for fees incurred and does not offer the option to deduct fees from clients' accounts directly. Faraco Partners, LLC would bill clients on the last business day of each trimester.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Faraco Partners, LLC does not charge clients for any other types of fees or expenses in connection with its advisory services, such as custodian fees or mutual fund expenses. Clients, however, will incur brokerage and other transaction costs. Please refer to Item 12 on Pages 20-23 that discuss Brokerage.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Faraco Partners, LLC bills clients for services offered and trimester ended. Clients may not and must not pay our fees in advance. As a result, since there is no pre-paid fee option, there is no need to explain how a client may obtain a refund and/or how Faraco Partners, LLC determines the amount of it.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

Faraco Partners, LLC or its supervised person do not accept compensation for the sale of securities or other investment products, including asset-based sales charge or service fees from the sale of mutual funds.

1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.

As mentioned on Item 5.E. above, Faraco Partners, LLC or its supervised person do not accept compensation for the sale of securities or other investment products, including asset-based sales charge or service fees from the sale of mutual funds. Thus, this item is not applicable to Faraco Partners, LLC.

2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.

Faraco Partners, LLC is not affiliated with any broker or agent. Clients have the option to purchase investment products that Faraco Partners, LLC recommends through any broker or agent of their choice. Thus, this item is not applicable to Faraco Partners, LLC.

3. If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.

Faraco Partners, LLC does not generate revenue from commissions and other compensation for the sale of investment products Faraco Partners, LLC recommends to its clients, including asset-based distribution fees from the sale of mutual funds. Thus, this item is not applicable to Faraco Partners, LLC.

4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

Faraco Partners, LLC does not accept compensation for commissions or markups. Thus, this item is not applicable to Faraco Partners, LLC.

**Item 6: Performance-Based Fees and Side-By-Side Management**

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

Neither Faraco Partners, LLC nor Francisco J. Faraco, as a supervised person, accept performance-based fees - that is, fees based on a share of capital gains on or capital appreciation of the assets of a client - or manage both accounts that are charges a performance-based fee and accounts that are charges another type of fee, such as an hourly or flat fee or an asset-based fee. Thus, this item is not applicable to Faraco Partners, LLC.

**Item 7: Types of clients**

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Faraco Partners, LLC provides investment advice services to individuals and/or small businesses. There are no requirements for opening or maintaining an account.



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

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

Faraco Partners' method of analysis and investment strategy specializes in fundamental analysis, which involves making investment decisions based on examination of the economy, an industry or sector and company variables that lead to an estimate of value for an investment, which is then compared to the prevailing market price of the investment.

When it comes to risk, here's a reality check: All investments carry some degree of risk and so they can lose value, even all their value, if market conditions sour. When you invest, you make choices about what to do with your financial assets. Risk is any uncertainty with respect to your investments that has the potential to negatively affect your financial welfare.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Faraco Partners' method of analysis and investment strategy specializes in fundamental analysis. As such, investment decisions are based on examination of the economy, industry and company variables that lead to an estimate of value for an investment and compare it to the prevailing market price of the investment. Based on Faraco Partners' investment advice, if clients decide to take action based on the assumption that the market price would converge to the estimated value for the investment, and it does not, material risk would arise and clients' portfolios might experience risk of loss.

Faraco Partners' method of analysis and investment strategy do not involve significant or unusual risks or frequent trading of securities.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Faraco Partners, LLC investment recommendations are not limited to a particular type of security. Faraco Partners, LLC provides investment advice in six major asset classes (i.e., equities, fixed income, real estate, commodities, derivatives and alternative investments).

## **Item 9: Disciplinary Information**

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a management person has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the management person's favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a management person has been involved in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a client's or prospective client's evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a client's or prospective client's evaluation.

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.A.1.

2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.A.2.

3. was found to have been involved in a violation of an investment-related statute or regulation; or

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.A.3.

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.A.4.

B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or  
Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.B.1.

2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

(a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.B.2.(a).

(b) barring or suspending your firm's or a management person's association with an investment-related business;

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.B.2.(b).

(c) otherwise significantly limiting your firm's or a management person's investment-related activities; or

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.B.2.(c).

(d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.B.2.(d).

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or  
Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.C.1.

2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Faraco Partners, LLC or its management person do not have anything to disclose regarding Item 9.C.2.

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

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Neither Faraco Partners, LLC nor its management person are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Neither Faraco Partners, LLC nor its management person are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

Neither Faraco Partners, LLC nor its management person have any relationship or arrangement that is material to the advisory business or to our clients with any related person listed above. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Neither Faraco Partners, LLC nor its management person recommend or select other investment advisers for our clients, receive compensation directly or indirectly from those advisers that creates a material conflict of interest or have other business relationships with those advisers that create a material conflict of interest. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

SEC Rule 204A-1 requires an SEC-registered investment adviser's code of ethics to set forth the standards of business conduct expected of the investment adviser's "supervised persons" and it must address personal securities trading ("PST") by such individuals. An SEC-registered investment adviser is not required to adopt a particular standard of business ethics. Rather, the standard that an investment adviser selects should reflect the investment adviser's fiduciary obligations to its investment advisory clients and the fiduciary obligations of the individuals it supervises and require compliance with the federal securities laws. A code of ethics should set out ideals for ethical conduct premised on fundamental principals of openness, integrity, honesty and trust. A good code of ethics should effectively convey to investment adviser representatives and employees the value that the investment adviser places on ethical conduct, and the code of ethics should challenge the investment adviser representatives and employees to meet not only the letter of the law, but also the ideals of the investment adviser. An investment adviser may set higher ethical standards than the requirements set under federal securities laws.

In order to prevent unlawful trading and promote ethical conduct by Faraco Partners, LLC and its management person, its code of ethics includes provisions relating to personal securities trading. At a minimum, Faraco Partners, LLC code of ethics must include the following requirements:

- A standard (or standards) of business conduct that Faraco Partners, LLC requires of its supervised persons reflecting the investment adviser's fiduciary obligations;
- Provisions requiring Faraco Partner's supervised persons to comply with applicable federal securities laws;
- Provisions that require all of Faraco Partner's "access persons" to report their personal securities transactions and holdings periodically and the review of such personal securities transactions by Faraco Partners, LLC. When Faraco Partners, LLC or its management person have a material financial interest or invest in the same securities recommended to clients, full disclosure on current security holdings must be presented to clients prior to making any investment recommendation and/or executing a transaction. In cases when Faraco Partners, LLC or its management person recommend securities to clients or buy/sell securities for clients' accounts at or about the same time as their own accounts, clients' orders take priority and must be presented and executed before any orders related to Faraco Partners or its management person's own accounts.
- Provisions requiring supervised persons to report any violations of Faraco Partner's code of ethics promptly to the chief compliance officer; and
- Provisions requiring Faraco Partners, LLC to provide each of its supervised persons with a copy of Faraco Partner's code of ethics and any amendments, and requiring its supervised persons to provide Faraco Partners, LLC with a written acknowledgement of their receipt of the code of ethics and any amendments.

Additionally, SEC registered investment advisers are required to establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent the misuse of Material Nonpublic

("insider") Information. Faraco Partners, LLC or its management person must not act or cause others to act on Material Nonpublic Information. Information is Material if its disclosure may affect the price of a security or if reasonable investors would want to know the information before investing. Information is Nonpublic if it has not been disseminated to the marketplace in general or if investors have not had an opportunity to react to the information. Note that disclosing the information to a selected group of analysts does not make it public.

Faraco Partners, LLC or its management person are prohibited from seeking out or using any inside information when analyzing investments, making investment recommendations or making investment decisions. If Faraco Partners, LLC or its management person receive information in confidence, they shall make reasonable efforts to achieve public dissemination of material nonpublic information disclosed in breach of duty. This effort usually means encouraging the issuing company to make the information public.

Lastly, Faraco Partners, LLC offers to provide, upon request, a complete copy of its code of ethics to any client or prospective client.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

The description required by Item 11.A includes information responsive to this Item 11.B. As such, it is not necessary to make repeated disclosures of the same information.

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

The description required by Item 11.A includes information responsive to this Item 11.C. As such, it is not necessary to make repeated disclosures of the same information.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

The description required by Item 11.A includes information responsive to this Item 11.D. As such, it is not necessary to make repeated disclosures of the same information.

## **Item 12: Brokerage Practices**

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Faraco Partners, LLC does not select or recommend broker-dealers for client transactions. Thus, this item is not applicable to Faraco Partners, LLC.

1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

Faraco Partners, LLC does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"). As such, Faraco Partners, LLC does not have anything to disclose or discuss regarding our practices or conflict of interest they create.

a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

Faraco Partners, LLC does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.

The description required by Items 12.A and 12.A.1 include information responsive to this Item 12.A.1.b. As such, it is not necessary to make repeated disclosures of the same information.

c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

The description required by Items 12.A.1 and 12.A.1.a include information responsive to this Item 12.A.1.c. As such, it is not necessary to make repeated disclosures of the same information.

d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The description required by Item 12.A.1 includes information responsive to this Item 12.A.1.d. As such, it is not necessary to make repeated disclosures of the same information.

e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.

The description required by Item 12.A.1.a includes information responsive to this Item 12.A.1.e. As such, it is not necessary to make repeated disclosures of the same information.



f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

The description required by Item 12.A.1 includes information responsive to this Item 12.A.1.f. As such, it is not necessary to make repeated disclosures of the same information.

2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a brokerdealer or third party, disclose this practice and discuss the conflicts of interest it creates.

The description required by Item 12.A includes information responsive to this Item 12.A. 2. As such, it is not necessary to make repeated disclosures of the same information.

a. Disclose that you may have an incentive to select or recommend a brokerdealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.

The description required by Item 12.A includes information responsive to this Item 12.A. 2.a. As such, it is not necessary to make repeated disclosures of the same information.

b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

The description required by Item 12.A includes information responsive to this Item 12.A. 2.b. As such, it is not necessary to make repeated disclosures of the same information.

### 3. Directed Brokerage.

a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.

Faraco Partners, LLC does not currently recommend, request or require that a client engages on Directed Brokerage with any broker-dealer. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

Faraco Partners, LLC permits a client to direct brokerage in return for services or payments, as long as those benefits are realized exclusively by the client. It is worth noting that directing brokerage may cost clients more money. For instances, in a directed brokerage account, the client may pay higher brokerage commissions because Faraco Partners, LLC may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

For clients with similar orders, it may be possible to aggregate one order with an order or orders for other clients or market counterparties where:

- it must be unlikely that the aggregation will work to the disadvantage of each of the clients concerned;
- Faraco Partners, LLC has explicitly disclosed to each customer, which has been acknowledged, concerned that the effect of the aggregation may operate, on some occasions, to their disadvantage.
- Where aggregation of orders does occur, Faraco Partners, LLC is required to disclose this to all affected clients as soon as reasonably practicable.
- In general, if the full aggregated order is executed, each client order will be executed at the same price, which will be an average of the aggregate price.
- Partially filled aggregated orders are required to be allocated to clients on a pro- rata basis, regardless of whether one client has a larger underlying position to fill.
- Proprietary and client orders received or placed simultaneously in the same security and in the same direction should not filled concurrently to avoid the security and in the same direction should not filled concurrently to avoid the potential for conflict. Only once the client orders have been completed should the proprietary order be filled.

Faraco Partners, LLC must ensure that, in the event of only being able to partially fill an aggregated order, allocation of the purchased or sold securities will occur in accordance with Faraco Partners' duties to provide best execution to its clients and to ensure their fair and equal treatment.

Reallocation of an aggregated order will occur only in the case of error, or to ensure fairness over a series of partial executions as described above.

### **Item 13: Review of Accounts**

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

Faraco Partners, LLC reviews clients' accounts on a quarterly basis. Faraco Partners, LLC believes that monitoring a portfolio is a continuous process that requires Francisco J. Faraco, its CIO, to evaluate (1) events and trends affecting the prospects of individual holdings and asset classes and their suitability for attaining client objectives and (2) changes in asset values that create unintended divergences from the client's Strategic Asset Allocation in the Investment Policy Statement (IPS). The former tend to lead to changes in investment policy or to substitutions of individual holdings; the latter lead directly to rebalancing to the existing Strategic Asset Allocation. It is worth noting that new information on economic and market conditions or on individual companies and/or unexpected changes in a client's life may have a direct impact on the client's financial objectives, which would lead Faraco Partners, LLC to review the client's account more often (i.e., intra-quarter) and potentially make recommendations and take investment actions in an effort to add value for the client.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

The description required by Item 13.A includes information responsive to this Item 13.B. As such, it is not necessary to make repeated descriptions of the same information.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

Faraco Partners, LLC would provide written Performance Evaluation reports to clients on a monthly basis. Basically, the reports would cover 3 main areas: Performance Measurement, Performance Attribution and Performance Appraisal. Performance Measurement calculates rates of return based on investment-related changes in an account's value over specified time periods (i.e., a month). Performance Attribution extends the results of performance measurement to investigate both the sources of the account's performance relative to a specific investment benchmark, outlined in the IPS, and the importance of those sources. Finally, Performance Appraisal attempts to draw conclusions concerning the quality (that is, the magnitude and consistency) of the account's relative performance.

**Item 14: Client Referrals and Other Compensation**

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

Faraco Partners, LLC does not rely on anyone, who is not a client, to provide an economic benefit to Faraco Partners, LLC or its management person for providing investment advice or other advisory services to our clients, including any sales awards or other prizes. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

Neither Faraco Partners, LLC nor its management person, directly or indirectly, compensate any person, who is not Francisco J. Faraco, for client referrals. Thus, this item is not applicable to Faraco Partners, LLC or its management person.

**Item 15: Custody**

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

Faraco Partners, LLC does not have custody of client funds or securities and does not use a qualified custodian to send account statements directly to our clients. In addition, Faraco, LLC does not send account statements to clients. Thus, this item is not applicable to Faraco Partners, LLC.

**Item 16: Investment Discretion**

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Faraco Partners, LLC does not accept/have discretionary authority to manage securities accounts on behalf of clients. Thus, this item is not applicable to Faraco Partners, LLC.

**Item 17: Voting Client Securities**

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

Faraco Partners, LLC does not have and will not accept authority to vote client securities. Thus, this item is not applicable to Faraco Partners, LLC.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

As mentioned on Item 17.A, Faraco Partners, LLC does not have authority to vote client securities. Faraco Partners, LLC will forward proxies and other solicitations to clients after receiving them from the clients' custodian or transfer agent. Clients can contact Faraco Partners, LLC with questions about a particular solicitation.

### **Item 18: Financial Information**

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

Faraco Partners, LLC does not require or solicit prepayment of any amount for concept of fees per client. Thus, this item is not applicable to Faraco Partners, LLC.

1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

The description required by Item 18.A includes information responsive to this Item 18.A. 1. As such, it is not necessary to make repeated descriptions/explanations of the same information.

2. Show parenthetically the market or fair value of securities included at cost.

The description required by Item 18.A includes information responsive to this Item 18.A. 2. As such, it is not necessary to make repeated descriptions/explanations of the same information.

3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation SX.

The description required by Item 18.A includes information responsive to this Item 18.A. 3. As such, it is not necessary to make repeated descriptions/explanations of the same information.

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

The description required by Items 15, 16 and 18.A include information responsive to this Item 18.B. As such, it is not necessary to make repeated disclosures of the same information.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

Faraco Partners, LLC has not been the subject of a bankruptcy petition at any time during the past ten years. Thus, this item is not applicable to Faraco Partners, LLC.