



## **Form ADV Part 2A – Firm Brochure**

### **Vernal Point Advisors, LLC**

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March 30, 2020

**This brochure provides information about the qualifications and business practices of Vernal Point Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 463-1014 or [cco@vernalpoint.com](mailto:cco@vernalpoint.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.**

**Additional information about Vernal Point Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Firm" using the firm's CRD number, which is 166587.**

## **Item 2 – Material Changes**

We do not have any material changes to report since our prior amendment dated March 31, 2019,

Our brochure may be requested by contacting Heidi Johnson, Chief Compliance Officer, at (415) 463-1014 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com).

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## **Item 4 – Advisory Business**

### **About Vernal Point Advisors, LLC**

Vernal Point Advisors, LLC (“Vernal Point,” “we,” “us”) is a limited liability company formed in 2012 in the State of California. Vernal Point Advisors, LLC is majority owned by Paul Morelli who undertakes all major decisions of a strategic and administrative nature for the firm.

### **Services Offered**

Vernal Point is a financial advisory firm dedicated to providing personalized confidential financial planning and investment management to its clients.

We provide financial planning and investment management services that include (1) helping the client clarify his or her investment objectives, goals and time horizons, (2) creating a diversified portfolio based on those needs, and (3) establishment of a virtual family office. We may provide investment supervisory, investment management or related services on a discretionary basis. If granted discretionary authorization to make trades in client accounts, we will use our best judgment for each client’s situation without the client’s prior consent. We evaluate investment opportunities in all asset classes and all geographies on behalf of clients and will consider many different investment structures, including low-cost exchange traded funds, separately managed accounts, mutual funds, private partnerships, REITs, and others.

To the extent requested by the client, financial planning may include an examination of the client’s cash flow, insurance, taxes, investments, retirement and estate planning needs. After one or several meetings and our analysis, the client will be provided with a written plan charting recommendations to be made in the above areas to meet the client’s goals and objectives.

Prior to engaging Vernal Point to provide services, clients are generally required to enter into an agreement with us setting 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 Vernal Point beginning services.

If requested by the client, we may recommend the services of other professionals for implementation purposes. 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 us. If a 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. It remains the client’s responsibility to promptly notify us if there is ever any change in the client’s financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.

Vernal Point may also offer advisory management services to clients through “Third Party Money Managers” (TPMM’s). The difference between this service and those mentioned in section 1 above

is that we are not the investment manager who is choosing, buying, and selling the investment holdings – an outside investment manager provides that function.

Here is a more detailed discussion of how these services work:

- We provide the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.
- Based on the client's individual circumstances and needs we will then perform management searches of various unaffiliated TPMMs to identify which TPMM’s portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected TPMM. Clients should refer to the selected TPMM’s Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.
- On an ongoing basis, we will monitor the performance of the selected TPMM(s). If we determine that a TPMM is not providing sufficient management services to the client or is not managing the client's investment/capital in a manner consistent with the client's policy guidelines, we may suggest that the client contract with a different TPMM. Under this scenario, VPA assists the client in selecting a new TPMM and/or strategy. However, any move to a new TPMM and/or program is solely at the discretion of the client.
- At least annually, we will meet with the client to review and update, as necessary, the client’s investment guidelines. However, should there be any material change in the client’s personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client’s investment guidelines is warranted.

Prior to engaging Vernal Point to provide investment management ~~selection program~~ services, the client will generally be required to enter into a written agreement with us. The client may also be required to enter into a written agreement with the TPMM(s). In some cases, the TPMM may act as a sub-advisor to Vernal Point and no additional agreement will be needed. These agreements will set forth the terms and conditions of the engagement and describe the scope of the services. The client will also receive the written disclosure statement of the selected TPMM. These disclosure statement(s) are in addition to the one from us, which you are currently reviewing.

TPMM advisory fees, including those for TMPPs acting as sub-advisors, are in addition to any investment management fees charged by us. Please see Item 5 below for more information.

After consultation with Vernal Point, clients may impose restrictions on investing in certain securities or types of securities. All restrictions must be in writing.

The client is under no obligation to act on our recommendations. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through us or the recommended TPMMs.

Family office services provided by us include the organization of a client's financial information, facilitating family governance, special projects, comprehensive risk management, the development of operational infrastructure, establishment of and administration of closely held client entities such as trusts and foundations, execution of planning strategies, estate pre-administration, and active vetting and oversight of the client's other contractors and legal and tax advisors.

In addition to financial planning, investment management services and family office services, we may periodically provide the following types of educational seminars:

- Requested by third parties such as a business, fraternal association, or non-profit group. These seminars can provide education on basic financial planning concepts or a specific financial topic as requested. The firm may be paid a flat fee for our time by the sponsoring party. Vernal Point is not paid by attendees for the seminar, although attendees may independently contact us afterwards to engage our ~~hourly financial planning~~ services; or
- Custom education curriculum created by us on financial topics for ultra-high net worth clients, often in conjunction with our other services (such as advisor selection, financial planning, and family office services).

### **Trade Error Policy**

Should they occur, losses resulting from trade errors by Vernal Point or the custodian shall be reimbursed by us or the custodian as applicable.

### **Client Obligations**

In performing its services, we are not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify us if there is ever any change in the client's financial situation or investment objectives during the client engagement.

### **Disclosure Statement**

A copy of Vernal Point's written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the Advisory Agreement. Any client who has not received a copy of our written brochure at least 48 hours prior to executing the Advisory Agreement shall have five business days subsequent to executing the agreement to terminate our services without penalty.

### **Amount of Assets Under Management**

As of January 31, 2020, Vernal Point had discretionary assets under management of \$569 million and non-discretionary assets under management of \$ 464 million for a total of \$ 1.03 billion assets under management.

### **Non-Participation in Wrap Fee Programs**

Vernal Point does not sponsor any wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

### **Our Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. Vernal Point has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. We also have no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, we have no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where we receive written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, we will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

## **Item 5 – Fees and Compensation**

Vernal Point's fees for advisory services, including future services, will be based primarily on the amount of time expended on client's behalf. Each fee is determined on the basis of the client's

requested services, current financial condition, complexity of financial condition and objectives and other related factors. The current hourly billing rate for the services requested is \$300 to \$450 per hour. Travel and other expenses pre-approved by client may also be included.

For investment management, fees will be based upon a percentage of the market value of the assets placed under our management. Fees are negotiable on a client by client basis with maximum fees shown in the chart below. Clients will be billed on a quarterly basis in advance, based on the settlement date balances on the closing day of the prior quarter as reflected on client statements.

| <b>Assets Under Management</b> | <b>Annual Advisory Fee</b> |
|--------------------------------|----------------------------|
| First \$5 million              | 0.90%                      |
| Next \$5 million               | 0.80%                      |
| Next \$10 million              | 0.70%                      |
| Next \$20 million              | 0.60%                      |
| Above \$40 million             | Negotiable                 |

The minimum annual fee for investment management service is \$50,000. We may waive or reduce this minimum for certain investors at any time.

On an hourly or retainer basis, we will help ultra-high net worth individuals and families source and evaluate other firms to act either as comprehensive wealth managers or as the primary investment advisor.

On an hourly or retainer basis, we also create custom educational curriculums for ultra-high net worth individuals and families to train them to manage the complexities of wealth. These curriculums are typically delivered in a one-on-one format instead of in a group setting.

Our fee does not include fees charged by TPMMs, investment funds, account custodians, broker-dealers or other third parties. Trade costs, mutual fund expenses, investment fund expenses, advisory fees of TPMMs, etc. are all additional and separate from our investment management fees. TPMM's fees not set by us and their fees, method and manner of billing (eg, advance or arrears; quarterly or monthly, etc) may differ from our billing practices. Clients will receive an explanation of the TPMM's billing practices from us or TPMM in the form of the TPMM's firm brochure, client agreement or other documentation.

## **Termination**

The client may terminate any new agreement without penalty by providing written notice of such cancellation to us within five (5) business days of the date of signing the agreement. Following the five-day cancellation period, the client will have the right to cancel the agreement with 30 days written notice at any time prior to the expiration date of the agreement.

Vernal Point will have the right to cancel any agreement if documents or other required information are not received from client as agreed within thirty days after written request for such information.

We believe that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources.

Our relationship with each client is non-exclusive; in other words, we provide investment advisory services and financial planning services to multiple clients. In any case, we seek to avoid situations in which one client's interest may conflict with the interest of another client.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Vernal Point does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Such acceptance would pose a significant conflict of interest to the client as performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. We consider avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

## **Item 7 – Types of Clients**

Vernal Point clients are generally ultra-high net worth individuals and small institutions. Client relationships vary in scope and length of service.

We have no minimum account size, however, there is a \$50,000 minimum annual fee for investment management services. As mentioned above in Item 5, we may waive or reduce this minimum for certain investors at any time.

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

### **Methods of Analysis**

Before designing investment plans for clients, we will evaluate the client's investments to determine whether the client's goals harmonize with the client's financial objectives. We will propose a portfolio to help clients attain their financial goals. In designing investment plans for clients, we rely upon the information supplied by the client and client's other professional advisors.

Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. We will design and propose a portfolio to help clients attain their financial goals.

This information will become the basis for the strategic asset allocation plan that we believe will best meet the client's stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes that we believe will possess attractive combinations of return, risk, and correlation over the long term.

When we make investment recommendations, asset allocation techniques are used which include stocks, bonds, and alternative investments of varying characteristics and from both the United States and foreign markets. We invest for the long term and expect that not all investments in a given portfolio will perform in unison with other assets in the same portfolio.

We may utilize fundamental analysis. Fundamental analysis is performed on historical and present data, with the goal of making financial forecasts. The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

We also utilize charting and other statistical stock market data.

### **Investment Strategies**

~~The primary investment strategy used on client accounts is asset allocation based on Modern Portfolio Theory(I don't think this is necessary and is not wholly accurate).~~ We develop a diversified investment portfolio by mixing different assets in varying proportions depending on client and current economic climate. The primary purpose of Asset Allocation is to reduce the risk in the portfolio, while maintaining or enhancing the expected rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with home-biased markets.

VPA utilizes an analytic process of fund performance in each asset class on at least a quarterly basis in order to determine the holdings and weightings of client portfolios. The models form the basis of the design of client asset allocations, though specific client interests and circumstances may add unique holdings to any portfolio.

Each client receives investment advice regarding their portfolio based upon his or her:

- Income Needs
- Time Horizon
- Risk Tolerance

- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes are mutual funds, exchanged traded funds (ETFs), private pooled investment vehicles (limited partnerships and LLCs), Real Estate Investments Trusts (REITS), separate accounts, direct investments, covered options and other derivatives.

The pooled investment vehicles provide:

- Professional Management
- Diversification

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. We work with each client to formalize ongoing discussions and consultations into an Investment Policy Statement that documents their objectives, their desired investment strategy and any restrictions on investments requested by the client.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases, virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Risks Associated with Option Trading: Options are speculative and highly leveraged. The purchaser of an option risks losing the entire purchase price of the option. The seller (writer) of an option risks losing the difference between the premium received for the option and the price of the contract underlying the options which the writer must purchase or deliver upon exercise of the option, which could subject the writer to an unlimited risk in the event of an increase in the price of the contract to be delivered.

#### Additional Risks:

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk. Additionally, cash invested in money market funds is not FDIC insured and may lose principal if the net asset value of the money market fund drops below \$1.00.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an

opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity, price volatility, and geopolitical risk. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

## **Item 9 – Disciplinary Information**

Vernal Point has no reportable legal or disciplinary events.

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

Neither Vernal Point, nor its Officers, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

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

Richard Faw, Director of Quantitative Research, is also the Founder and Owner of Setarcos Investment Advisors, LLC, a California registered investment adviser. In his capacity as the Founder and Owner, Mr. Faw provides recommendations to the clients of Setarcos Investment Advisors. The firm has adopted a Code of Ethics to avoid any potential conflicts of interest.

As previously disclosed in the “Advisory Business” section (Item 4), when appropriate we may recommend the services of various registered investment advisers to clients. We do not receive a referral fee from the selected investment adviser, nor do we charge the client any fees for these referrals. However, because the assets managed by the other registered investment adviser do not aggregate for fee calculation with assets we may manage for the client directly, the client may incur a higher overall fee by using the combination of these services instead of having us manage all of the assets together. All advisers to whom we refer clients must be a state licensed investment adviser or registered investment adviser with the Securities and Exchange Commission.

## **Item 11 – Code of Ethics**

Vernal Point recognizes that we have a fiduciary duty to our clients to ensure that we eliminate or minimize any conflicts of interest with our clients. As such we have adopted and follow a strict Code of Ethics. Our Code of Ethics incorporates the Code of Ethics and Professional Responsibility (Code of Ethics) adopted by the Certified Financial Planner Board of Standards, Inc. and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. We will provide a copy of the CFP Code of Ethics to any client or prospective client upon request, and it can also be obtained at the website <https://www.cfp.net/ethics/code-of-ethics-and-standards-of-conduct> .

We also adheres to the Code of Ethics and Standards of Professional Conduct published by the CFA Institute.

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

Vernal Point and/or our representatives may buy or sell securities that are also recommended to clients. However, per of Code of Ethics, all client trades must be executed prior to any employee trading in the same or similar securities.

Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Heidi Johnson at (415) 463-1014 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com).

## **Item 12 – Brokerage Practices**

### **Broker Selection/Recommendation**

In the event that the client requests that we recommend a broker dealer/custodian for execution and/or custodial services, we generally recommend that investment management accounts be maintained at T.D. Ameritrade (“TDA”) or Charles Schwab (“Schwab”), Members FINRA, SIPC.

Factors that we consider in recommending TDA or Schwab (or any other broker-dealer/custodian to clients) include financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by our clients shall comply with our duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest

possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment management fee.

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from TDA or Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by us may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, software and/or other products used by us in furtherance of our investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist us in managing and administering client accounts. Others do not directly provide such assistance, but rather assist us in to managing and further developing our business enterprise.

Our clients do not pay more for investment transactions effected and/or assets maintained at TDA or Schwab as a result of this arrangement. There is no corresponding commitment made by us to TDA, Schwab or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Vernal Point's 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 such arrangement may create.

We do not receive referrals from broker-dealers.

We do not engage in directed brokerage arrangements.

To the extent that we provide investment management services to our clients, the transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable

commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. We shall not receive any additional compensation or remuneration as a result of such aggregation.

TDA and Schwab provide clients with consolidated statements. Our employees are not registered representatives of TDA or Schwab and do not receive any commissions or fees from recommending these services.

### **Item 13 – Review of Accounts**

When contracted to do so, Portfolio Reviews and Rebalancing of the client's portfolio, for the assets held under management with Vernal Point, will be undertaken: (1) periodically, but no less than annually, as determined by us; (2) upon request by the client, and (3) upon a substantial asset class decline, under the following adopted policies and procedures.

Periodic Portfolio Reviews are undertaken by our advisors to ascertain if the values in any asset class have strayed beyond their target minimums or maximums, and for purposes of meeting a client's cash flow needs. Even if one or more asset classes fall outside their target minimums or maximums, we may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, or our view on whether the asset class is undervalued or overvalued relative to historic norms and our view of the level of the macroeconomic risks to which the asset class may be exposed. Such in-house portfolio reviews are subject to additional restrictions set forth below.

Additional Portfolio Reviews are undertaken upon request by the client, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. We will respond to such requests within a reasonable period of time.

We may also undertake sales and purchases periodically to effect tax loss harvesting.

### **Item 14 – Client Referrals and Other Compensation**

Vernal Point does not directly or indirectly compensate or receive compensation from any person or firm for client referrals.

## **Item 15 – Custody**

Client funds and securities are held with qualified custodians, either TDA, Schwab or a custodian of the client's choice. Each client will receive quarterly statements directly from the custodian showing holdings, transactions and any deposits or debits from the account(s). We recommend that clients carefully compare any portfolio reports or consolidated statements received from us with the custodial statements.

## **Item 16 – Investment Discretion**

Vernal Point may receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Any investment discretion is obtained in writing through a limited power of attorney. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows us to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, we provide ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

We seek to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage us on a discretionary basis may, at any time, impose restrictions, in writing, on VPA's discretionary 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 our use of margin, etc.).

Some clients may choose to engage us to manage securities on a non-discretionary basis. If we receive non-discretionary authority from the client, we will select the identity and amount of securities to be bought or sold, but must receive approval from the client prior to placing any trades in the client's account. Please be advised that as a result, until we reach the client, no transactions will be placed in any client accounts.

NOTE: When determining whether to engage us on a discretionary or non-discretionary basis, please note that trades for discretionary clients may be placed ahead of non-discretionary clients.

## **Item 17 – Voting Client Securities**

Vernal Point does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. We may provide advice to clients regarding the clients' voting of proxies. Clients will receive their proxies or other solicitations directly from their custodian.

## **Item 18 – Financial Information**

Vernal Point does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. We accept limited forms of discretion over clients' accounts, as described in Item 16 of this brochure. We are unaware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Vernal Point has never been the subject of a bankruptcy proceeding.