

## **Part 2A of Form ADV: Firm Brochure**

### **Item 1: Cover Page**

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**3/30/2020**

This brochure provides information about the qualifications and business practices of Brookline Investments, Inc. If you have any questions about the contents of this brochure, please contact us at 205-263-2332 or [rtwiford@brooklineinvestments.com](mailto:rtwiford@brooklineinvestments.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. Registration with the United State Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about Brookline Investments, Inc., is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109239.

## **Item 2: Material Changes**

This Firm Brochure, dated 3/30/2020, contains a summary of the material changes that were made to the last annual update brochure which was dated 03/20/2019; additional details regarding the “material changes” summary listed here is contained within the referenced sections

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

- Updated Number of Clients and Assets Under Management

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

- Management personnel of Brookline Investments are separately licensed as a registered representative of Castle Hill Capital Partners, Inc., a broker-dealer, which is a separate entity that is unaffiliated with Brookline Investments, Inc.

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

- Updated information about conflicts of interest that may exist, as well as steps taken to mitigate those conflicts.

### **Item 3: Table of Contents**

Item 1	Cover Page
Item 2	Material Changes
Item 3	Table of Contents
Item 4	Advisory Business
Item 5	Fees and Compensation
Item 6	Performance-Based Fees and Side-By-Side Management
Item 7	Types of Clients
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss
Item 9	Disciplinary Information
Item 10	Other Financial Industry Activities and Affiliations
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
Item 12	Brokerage Practices
Item 13	Review of Accounts
Item 14	Client Referrals and Other Compensation
Item 15	Custody
Item 16	Investment Discretion
Item 17	Voting Client Securities
Item 18	Financial Information

## **Item 4: Advisory Business**

Brookline Investments, Inc. ("Brookline") is a SEC Registered Investment Advisory Firm located in Birmingham, Alabama. We began conducting business in 1999 and are wholly-owned by Brookline Financial Partners, Inc. In turn, Brookline Financial Partners, Inc. is wholly owned by J. Rainer Twiford.

Brookline Investments manages individual, family and corporate wealth. Our approach is one that is consultative rather than focused upon generating fees. We spend time getting to know our clients' goals, objectives, and risk tolerance before suggesting an investment strategy. We generally place assets under management with well-known money managers (sub-advisers) who have been subject to due diligence reviews. We do not pick stocks; rather, our approach is to manage the investment process for our clients by suggesting an appropriate asset allocation, and then monitoring the sub-advisers with whom we place accounts. Our clients' assets are managed in separate accounts and may be managed on either a discretionary or non-discretionary basis.

We consult with our clients on a number of wealth preservation strategies. In addition to estate planning, we also consult on large, concentrated single stock positions. We have a number of clients whose wealth was achieved as a result of the sale of their business to a publicly traded company in a stock-for-stock swap. Because most of the client's net worth may reside in a publicly traded stock, we generally advise our clients to protect that value through a variety of hedging strategies.

We also are frequently asked by our clients to review and/or recommend suitable alternative investments (like real estate, venture capital, commodities and private investments) for their portfolios, in an effort to achieve greater diversification. We believe that a well-diversified portfolio should be comprised of both stocks and bonds, as well as alternative investments.

As of December 31, 2019, we were managing approximately \$163,859,772 of clients' assets on a discretionary basis and approximately \$3,970,921 of clients' assets on a non-discretionary basis.

### **Separately Managed Accounts**

We offer separately managed accounts ("SMAs") which provide clients continuous and regular investment advisory services.

## **Client Profile**

We review our clients' investments, and manage the accounts based on the individual needs of each client. Through client meetings, we strive to acquire a thorough understanding of the client's financial picture, including the nature of the client's current assets, as well as their future financial goals and objectives. We make recommendations on investment allocations based upon this review of the client's financial situation, current and future needs and desires, combined with the client's tolerance for risk. Once an asset allocation has been agreed upon between us and the client, we will either make recommendations on investment strategy and individual securities ourselves, or work with the client in selecting a sub-adviser to recommend appropriate investment strategies and securities (for both single-asset class accounts as well as multi-asset class accounts). Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

## **Investment Discretion**

Investment discretion is exercised in concert with our investment philosophy, as well as any investment guidelines (such as an Investment Policy Statement) or restrictions imposed by the client that have been accepted by our firm. Any changes or amendments to this discretionary authority must be provided in writing by the client and accepted by Brookline Investments. Pursuant to the Investment Advisory Agreement with the client, we hold a limited power of attorney to act without prior consultation, based upon the client's general direction and financial objectives. We have discretion for the type and amount of securities to be bought or sold, the broker/dealer to be used, and the commission rates to be paid.

## **Selection of Sub-Adviser**

We utilize unaffiliated Registered Investment Advisers as sub-advisers, particularly with respect to investments in individual equities. We identify which sub-adviser's portfolio management style is appropriate for each client, taking into consideration account size, risk tolerance, the investment objectives of each client and the investment philosophy of the selected sub-adviser. Multiple sub-advisors may be selected for a client. Clients should refer to the selected sub-adviser's Firm Brochure or other disclosure document for a full description of the services offered.

We regularly review the sub-adviser's investment strategies and discuss these strategies with the sub-adviser. The sub-adviser will perform services such as providing general

investment advice and execution of trades on behalf of the designated clients. Whether recommendations are made by Brookline directly or by a sub-adviser, we monitor the performance of each clients' portfolio and provide a summary report to each client on at least a quarterly basis.

## **Fees**

Our annual fee for investment advisory services generally ranges from 1.00% to 1.75%. In return for the sub-advisory services, we pay the sub-adviser a percentage of this fee. The fee paid to the sub-adviser will not increase the total fee the client pays for the collective investment advisory service provided. Rather, we will pay such fee to the sub-adviser out of the fee the client has agreed to pay us under our Investment Advisory Agreement.

## **Mutual Funds**

Although mutual funds are available for clients to purchase in the marketplace, we generally do not recommend mutual funds. In the event that a mutual fund is recommended as an investment vehicle for clients, then such clients may pay an investment advisory fee to acquire mutual funds through Brookline instead of acquiring such mutual funds directly from the mutual fund company. Similarly, if client portfolios include mutual funds, including money market funds, the client will pay two investment advisory fees: one to Brookline and one to the manager of the mutual funds or money market fund.

## **Limited Liability Companies (LLCs)**

Brookline has formed several Limited Liability Companies (LLCs) that operate as pooled investment vehicles. As appropriate, investments in these LLCs may be recommended to advisory clients that are accredited investors, when consistent with the client's investment objectives, tolerance for risk, and liquidity requirements.

Clients who invest in these LLCs are not charged any additional investment advisory fees other than the fees allocated to the members of the LLCs. In exchange for investment management and administrative services, Brookline collects quarterly management fees from the LLCs. The management fees range from 0% to 2.0% of capital contributions (or capital commitments) to the LLC per annum. Management fees are payable quarterly in arrears. Incentive fees may also be collected if certain performance thresholds are achieved by the LLCs.

Clients who invest in these LLCs should refer to the Private Placement Memorandum and other organizational documents for additional information and disclosures about fees, risks and about our relationship with each of the LLCs. These LLCs are not required to be registered as investment companies under the Investment Advisory Company Act of 1940 in reliance upon an exemption available to LLCs whose securities are not publicly offered (and operate as pooled investment vehicles / private funds). Additional information about these LLCs is contained below (see Items 5, 6, 7, 10, 11 and 15).

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

### **Separately Managed Accounts**

Fee arrangements are made by mutual agreement with the client. We charge the client a negotiated percentage of the value of the securities under management, a fixed fee for consulting services, or a different fee specifically negotiated with the client. The total annual fee for Investment Advisory Services generally ranges from 1.00% to 1.75%. We then pay the selected sub-advisor a percentage of this fee. The fee paid to the sub-adviser will not increase the total fee the client pays for the collective investment advisory service provided. We may group certain related client accounts for the purpose of achieving the minimum account size requirements and determining the annualized fee.

For accounts where we have investment discretion, our fee is a percentage of the assets under management. Fees are calculated and charged quarterly in arrears, based upon assets under management at quarter end. We typically send an invoice to the client within 20 days of the end of the quarter and the client is requested to direct the account custodian to pay this fee directly from the account to us. We also have discretionary arrangements with clients wherein we are authorized to withdraw fees payable directly from their account with a qualified custodian. Because the custodian does not calculate the fee to be deducted, it is important for clients to carefully review the account statements received from their custodian to verify, among other things, the accuracy of the calculation. Clients should contact us immediately if they believe that a fee has been calculated in error.

Neither the firm nor our investment advisory representatives receive securities commissions from transactions related to discretionary accounts.

## **Limited Negotiability of Advisory Fees**

We retain the right to negotiate alternative fees on a client-by-client basis. The circumstances and individual needs of the client are considered when determining the fee schedule. These may include the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and other factors. The specific annual fee schedule is identified by mutual agreement between our firm and each client.

## **Termination of the Advisory Relationship**

The client may terminate the Investment Advisory Agreement within five days from the date of the Agreement; in such instance all fees paid by the client will be refunded. Thereafter, either party may terminate the Investment Advisory Agreement upon written notice as specified in the Agreement to the other party by certified or registered mail or by other prompt means of sending that provides proof of delivery.

Fee refunds to the client after the initial five day cancellation period will depend upon the services we have performed as of the termination date or be dependent upon the agreement with the client as to compensation. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days in the billing period.

## **Additional Fees and Expenses**

In addition to our investment advisory fees, clients are also responsible for the fees and expenses charged by custodians and broker dealers, including safekeeping charges or any transaction charges for clients' accounts. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

## **Limited Liability Companies (LLCs)**

Brookline or its related person acts as the managing member and/or the investment advisor to several LLCs and has responsibility for investment management and administration of the LLCs' business and investments. Brookline may choose to utilize sub-advisors in the management of the LLCs. In exchange for services provided, we collect quarterly management fees or investment advisory fees that range from 0% to 2.00% of capital contributions or capital commitments per annum. Fees are payable quarterly in arrears. Additionally, incentive fees may also be collected if certain performance thresholds are achieved by the LLCs. The management fees, the investment



advisory fees and the incentive fees are paid by the LLC, and are more fully explained in the private placement memorandum for each LLC. Clients who invest in these LLCs ("members") are not charged any additional investment advisory fees other than those fees which are allocated to the members of each LLC.

### **Minimum Account Requirements**

We typically require a minimum asset value of \$100,000, but may waive this requirement at our discretion.

### **ERISA Accounts**

We are not deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 ("the Code").

### **Advisory Fees in General**

Clients should note that similar advisory services may be available from other unaffiliated investment advisers and they may purchase investment products we recommend through other unaffiliated brokers or advisers.

### **Prepayment of Fees**

We do not require nor solicit prepayment of fees. All fees are calculated and charged quarterly in arrears.

### **Mutual Fund Fees**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. Mutual fund fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist them in determining which mutual fund or funds are most appropriate to their financial condition and objectives. Accordingly, they should review both the fees charged

by the funds and our fees to fully understand the total amount of fees to be paid and to thereby evaluate the advisory services being provided.

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

### **Separately Managed Accounts**

We do not collect performance-based fees on separately managed accounts.

### **Limited Liability Companies ("LLCs")**

We may collect incentive fees on LLCs if certain performance thresholds are achieved as outlined in each LLCs' private placement memorandum. If appropriate, clients may be solicited to invest in these LLCs. By collecting a performance-based fee, we have an incentive to favor these accounts over the accounts not charged incentive fees, which is a conflict of interest. We address this conflict by disclosing this arrangement to clients investing in the LLCs. All fees charged by the LLCs are outlined in detail in the Private Placement Memorandum and other organizational documents for each LLC.

## **Item 7: Types of Clients**

Brookline Investments, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Other pooled investment vehicles (e.g., LLCs / private funds)
- Profit Sharing Plans
- Corporations or other businesses not listed above

We typically require the minimum value of assets for individual accounts to exceed \$100,000.00, but may waive this requirement at our discretion.

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

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

### **Fundamental Analysis**

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

### **Sub-Adviser Analysis**

We examine the experience, expertise, investment philosophies, and past performance of sub-advisers in an attempt to determine if that sub-adviser has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the sub-adviser's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the sub-advisor's compliance and business enterprise risks.

A risk of investing with a sub-advisor who has been successful in the past is that he may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a sub-adviser's portfolio, there is also a risk that a sub-adviser may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. We address these risks by continually monitoring and reviewing sub-advisor's performance.

### **Risks for all forms of analysis**

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate

and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Alternative Investments**

When consistent with a client's stated investment objectives, tolerance for risk, and liquidity requirements, we may recommend alternative investments, such as LLCs (pooled investment vehicles/private funds). These types of investments involve a high degree risk and are not appropriate for all clients.

### **Investment Strategies**

We typically recommend the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

#### **Long-term purchases**

We recommend the purchase of securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline in value before we make the decision to sell.

#### **Short-term purchases**

When utilizing this strategy, we recommend the purchase of securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

### **Short sales**

We may recommend the use of short sales as a limited investment strategy. Short sales entail borrowing shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, the same stock is purchased and the shares are returned to the original owner. We engage in short selling strategies based on our estimation that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit, but if we are incorrect and the stock price has gone up since the shares were purchased from the original owner, then the client account would realize a loss.

### **Option writing**

We may recommend the use of options as a limited investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset at a specific price on or before a certain date. We will use options to speculate on the possibility of a sharp price swing. We will also recommend the use of options to "hedge" a purchase of the underlying security; in other words, by purchasing an option, an investor may limit the potential upside, and downside, of a security the investor owns.

We may recommend the use of "covered calls" in which you sell an option on a security you own. Utilizing this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price on or before a certain date.

We may also recommend a "spreading strategy" in which you purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

## **Risk of Loss**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9: Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective clients' evaluation of our advisory business or the integrity of our management: In January of 2016, Madding King was named as a defendant in a lawsuit involving the broker-dealer with which we were previously affiliated: Brookline Group, LLC. This litigation was voluntarily dismissed on July 31, 2017. Further details regarding this proceeding are publicly available from FINRA Broker Check at the following link: <http://brokercheck.finra.org>.

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

### **Unaffiliated Broker/Dealer**

Management personnel of Brookline Investments are separately licensed as a registered representative of Castle Hill Capital Partners, Inc., a broker-dealer, which is a separate entity that is unaffiliated with Brookline Investments, Inc.

### **Limited Liability Companies**

We have formed several Limited Liability Companies (LLCs) that operate as pooled investment vehicles (e.g., private funds). Our management personnel directly or indirectly own interests in some of the managing members of these LLCs. As owners, they may receive incentive fees from these LLCs if certain performance thresholds are achieved. Additionally, Brookline Investments may be the managing member of, or investment adviser to, some of these LLCs. As such, we receive quarterly management fees from these LLCs. Management personnel of Brookline Investments, Inc. may also be a Director of a portfolio company in which an LLC has invested.

When appropriate, these LLCs may be recommended as an investment option for advisory clients who are accredited investors. The affiliated/related persons of our firm do not receive investment advisory compensation in relation to these LLCs but do have a conflict of interest in soliciting client investments because of the management fees Brookline Investments receives from the LLCs. We have addressed this conflict by ensuring that our client's assets are invested consistent with the client's investment objectives, tolerance for risk, and liquidity requirements, and are not based on any fees that may be collected.

Because investment in these types of entities may involve additional degrees of risk, they will only be recommended to accredited investors and only when they are consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Clients interested in investing in these LLCs should refer to the specific Private Placement Memorandum and other organizational documents for detailed information about each LLC.

Brookline and the related persons of our firm will devote to the LLCs as much time as required and appropriate to manage the LLC's business. We may form additional LLCs or enter into other business activities, even though such activities may be in competition with already existing business lines in terms of time and resource allocation of our firm. Such activities could create a conflict of interest. We address this conflict by continually reviewing requirements and utilizing outside services for assistance with compliance, accounting and legal.

A list of these entities is disclosed on Form ADV, Schedule D, Section 7.B.(1), which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

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

### Code of Ethics

Our Code of Ethics ("Code") along with our written Policies & Procedures are designed to ensure that high ethical standards are maintained at all times. Brookline has designed its Code of Ethics, and Policies and Procedures, to be appropriate to prevent, eliminate or mitigate and disclose potential conflicts of interest, to govern personal securities transactions, and to detect and prevent insider trading. Clients should be aware that no set of rules can possibly anticipate or relieve all potential conflicts that may exist

The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest and other forms of prohibited or unethical business conduct. Both the firm and our employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. The Code is designed to assure that the personal interests and activities, and personal securities transactions, of our employees will not interfere with making decisions in the best interest of our clients while still allowing employees to invest for their own accounts.

### Personal Trading

The Code establishes rules of conduct for all employees and is designed to govern the personal securities transactions of our associated persons and to detect and prevent insider trading. The Code applies to all accounts of employees, accounts of their immediate family members and accounts in which an employee controls or has a beneficial interest.

Our firm or our employees may buy or sell investment products that are recommended to our clients. Our policies require that employees do their purchasing and selling after transactions have been executed for client accounts. All employees are required to provide monthly or quarterly statements of their holdings and trading activities. These reports are reviewed for compliance purposes. Pre-clearance is required for certain types of securities transactions. Brookline and our employees must disclose any direct or indirect ownership of a security, any position with the issuer or its affiliates, or any present or proposed business relationship with that issuer prior to recommending securities to clients.



### Conflicts of Interest

The management fees, investment advisory fees and incentive fees potentially payable by the LLCs may create a conflict of interest that could hinder Brookline Investments and its Investment Adviser Representatives in the rendering of unbiased investment advice in the best interest of its advisory clients. By collecting a performance-based fee, we have an incentive to favor these accounts over the accounts not charged incentive fees, which is a conflict of interest. We address this conflict by (1) disclosing this arrangement to clients investing in the LLC, and (2) following our policies and procedures that we have developed to ensure that LLCs may only be recommended to advisory clients who are accredited investors, and only when consistent with the client's investment objectives, tolerance for risk, and liquidity requirements. All fees charged by the LLCs are outlined in detail in the Private Placement Memorandum and other organizational documents for each LLC.

In addition, management personnel and/or their family members may invest in the LLCs (and/or may invest in the underlying portfolio companies in which the LLCs have invested) which may create an additional conflict of interest; in such instances, Brookline Investments and its Investment Adviser Representatives may have an incentive to favor these LLCs to the detriment of other LLCs. To mitigate these conflicts, Brookline Investments discloses this possibility and adheres to the Code of Ethics which, among other things, requires it and all its Investment Adviser Representatives to consistently act in the best interest of its clients, by putting the interests of the clients ahead of their own personal interests. Actual and potential conflicts that arise are mitigated by adherence to, and written certification of compliance with, the Brookline Investments Code of Ethics.

A complete copy of our Code of Ethics is available upon written request.

## **Item 12: Brokerage Practices**

### **Broker Discretion**

We do not maintain physical custody of any client assets in separately managed accounts. An unaffiliated broker-dealer will maintain custody of client assets and will execute transactions at our direction. Commissions paid to such brokerage firms are reviewed periodically to evaluate reasonableness. Transactions in U.S. exchange-traded equities and other agency transactions involve the payment of brokerage commissions, and such

commissions vary among broker-dealers (often depending on the size and difficulty of the transaction). Transactions in U.S. securities traded over-the-counter may be subject to brokerage commission as well as a mark-up/mark-down. In the case of a securities underwriting, the price paid includes a fixed commission or discount retained by the underwriter or dealer, which is disclosed in the offering materials.

### **Best Execution**

Securities traded through Charles Schwab & Co., Inc. ("Schwab"), US Bank and Stifel, Nicolaus & Co., Inc. ("Stifel"), trade at rates that we believe to be competitive in light of the services provided. In selecting or suggesting broker-dealers to our clients, we seek broker-dealers that we believe can offer the best execution, taking all relevant factors into consideration including, but not limited to, overall economic result, efficiency of the transaction, availability of block trading, ability of the broker-dealer to execute potentially difficult transactions, and the financial strength, size and reputation of the broker-dealer. Our choice of Schwab, US Bank and Stifel as brokerage firms is based upon each firm's ability, reputation, and actual results of transaction executions. We believe the transaction fees charged by Schwab, US Bank and Stifel are competitive in light of the services they provide.

### **Directed Brokerage**

We may accept client instructions for directing some or all of the client's brokerage transactions to a particular broker-dealer. Any client instructions to Brookline are to be submitted in writing with appropriate disclosures. For directed brokerage arrangements, Brookline may not be able to obtain best execution on behalf of such client, may pay materially higher commissions, may be subject to greater spreads or other transaction costs, and may receive less favorable net prices on transactions for the account than would otherwise be the case if the client had used a broker-dealer recommended by Brookline.

### **Custodians**

Depending on asset type and the investment advisory services desired, we generally recommend that Charles Schwab & Co., Inc. ("Schwab"), US Bank, Stifel, Nicolaus & Co., Inc. ("Stifel"), or Millennium Trust Company ("MTC") act as the custodians of our client's assets. These custodians may charge additional fees for safekeeping for certain types of assets. Assets may be held in custody at other brokerage firms at the request of the client.

## **Research & Soft Dollar Policy**

We do not have any arrangements or commitments to use research, research-related products and other services obtained from broker-dealers or third parties on a soft dollar commission basis. Any products and services such as periodicals, written materials or personal communication between our firm and any third party regarding research, the analysis of securities, or other matters pertaining to our investment advisory business are either complimentary or paid for directly.

## **Client Referrals**

We do not have any arrangements in which we compensate anyone, individuals or entities, for the referral of advisory clients to the firm. Brookline Investments, Inc., is a member of the Professional Alliance Group of Morgan Stanley and may receive compensation for referring clients to Morgan Stanley for traditional, core wealth management services.

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

Whether a client's investment strategy is recommended by our firm directly, or through a sub-adviser, we monitor the performance of each client's portfolio and provide a report to each client on at least a quarterly basis.

We seek to maintain an ongoing dialogue with each client regarding their account. Client accounts are monitored on a continuous, regular basis. In addition to statements that clients receive directly from their qualified custodian, we may provide performance reports of their holdings. The client-specific performance reports that we prepare are a compilation of the performance information prepared by sub-advisors for that client, as well as the performance of other investments on which we have provided investment advice to the client.

## **Written Reports**

Generally, portfolio valuations and performance summaries are prepared for client accounts on a quarterly basis (a "Quarterly Report"), unless a client requests otherwise or circumstances suggest a more frequent review. A significant contribution or distribution or a client life event typically triggers a review of the client's portfolio for value as well as for diversification. Client account reviews are performed by, and reports

are prepared by our investment advisory representatives. Such reviews may include comparisons of performance against investment class and benchmarks (if available), and a recommendation for reallocation based on a variety of factors (e.g., life events of the client, change in financial situation of the client, or a substantial movement in the financial markets).

The Quarterly Report contains a legend encouraging the client to compare the reports prepared by us to the account statements they receive directly from the broker-dealer that is acting as their qualified custodian.

### **Client Meetings**

At a minimum, each client has the opportunity to meet on a quarterly basis to review their account. Meetings are held on a timetable that is agreeable to the client. Quarterly Reports are provided to clients whether the client seeks to meet with a representative or not.

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

Brookline Investments, Inc., does not engage solicitors or compensate anyone, individuals or entities, for the referral of potential clients to our firm.

We do not accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15: Custody**

Brookline does not maintain physical custody of client assets. We are deemed to have custody of assets based on our role as the managing member or investment adviser of LLCs.

### **Separately Managed Accounts**

We have arrangements with clients in which the client authorizes us to journal advisory fees payable from their account held with a qualified custodian. The qualified custodians

provide at least quarterly account statements directly to our clients or to the "independent representative" the client designated.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review the account statements received from their custodian to verify, among other things, the accuracy of the calculation. Clients should contact us if they believe that there may be an error in the calculation.

We also send quarterly reports to our advisory clients which include the calculation of their investment advisory fee as well as a legend urging clients to compare the report they receive from us with the account statement received directly from their qualified custodian.

### **Limited Liability Companies (LLCs)**

As managing member or investment adviser to several limited liability companies (LLCs) operating as pooled investment vehicles (e.g., private funds), Brookline is deemed to have custody of assets. Even though we may not have physical custody of assets, in our capacity as managing member or investment adviser, we have access to and control over the LLCs' assets. With the exception of certain privately-offered securities, all securities and funds of the LLCs are maintained with unaffiliated, qualified custodians such as U.S. banks and registered broker-dealers. The privately-offered securities that are not held by custodians were acquired directly from the issuers in transactions not involving any public offering, and such private securities may be uncertificated (where ownership is recorded only on the books of the issuer), and transferable only with prior consent of the issuer.

The LLCs are audited annually by an independent accounting firm in accordance with generally accepted accounting principles ("GAAP"). This designated accounting firm is both registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"). The audited financial statements are distributed to each investor in the LLC (or their independent representative) within 120 days of the fiscal year-end.

### **Item 16: Investment Discretion**

We exercise investment discretion consistent with our investment philosophy, as well as any investment guidelines or restrictions imposed by the client and duly accepted by us. Any changes or amendments to this discretionary authority must be provided in writing

by the client and accepted by Brookline. Pursuant to the Investment Advisory Agreement with the client, we hold a limited power of attorney to act without prior consultation, based upon the client's general direction and financial objectives. We have discretion for:

- the type of securities to be bought or sold
- the amount of securities to be bought or sold
- the broker/dealer to be used
- the commission rates to be paid.

We generally do not advise clients for a fee with respect to holdings outside their managed accounts, or holdings in their managed accounts that are designated as unmanaged at the direction of or with notice to the client.

### **Item 17: Voting Client Securities**

We seek to vote proxies in the best economic interests of our clients and in accordance with our established policies and procedures. Brookline maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our proxy policies and practices. As needed, we monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest to clients. We also make information available to our clients about the voting of proxies and we maintain relevant records as required.

#### **Voting Guidelines**

We will vote all proxies from a specific issuer the same way for each client absent specific voting guidelines or qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on our voting authority in the same manner in which they restrict the selection of securities. We will generally vote:

- in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest;
- against proposals that cause board members to become entrenched or cause unequal voting rights.

We will further consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices. Clients who wish to

direct a proxy vote should contact us at the address listed on the cover page of this Brochure.

### **Proxy Voting Conflicts of Interest**

We will identify any conflicts that may exist between us and the client by reviewing our relationship with the issuer of each security to determine if we, or any of our employees, have any financial, business or personal relationship with the issuer.

If a material conflict of interest exists, we will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation. We will maintain a record of the voting resolution of any conflict of interest.

### **Requests For Information**

We maintain records regarding how actual proxies were voted and the reason for such vote, along with copies of the policies and procedures followed in submitting the votes. Clients may obtain additional information regarding how we voted with respect to their securities and/or a copy of our voting policies and procedures, by submitting a written request for such information.

## **Item 18: Financial Information**

Brookline does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that is deemed to have custody (as noted under Item 15), we are also required to disclose any financial condition that is likely to impair our ability to meet our contractual obligations. We have no additional financial circumstances to report.

We have never been the subject of a bankruptcy petition at any time during the past.