



# BALDWIN BROTHERS

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March 2020

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between clients (also referred to as “you” or “your”) and Baldwin Brothers Inc. (also referred to as “Baldwin Brothers”, “us”, “we” or “our”). This Brochure provides information about the qualifications and business practices of Baldwin Brothers. If you have any questions about the contents of this Brochure, please contact Taylor C. Baldwin, Chief Operating Officer and Chief Compliance Officer, at (508) 748-0800 or [tbaldwin@baldwinbrothersinc.com](mailto:tbaldwin@baldwinbrothersinc.com). Registration as an investment advisor does not imply any level of skill or training.

Additional information about Baldwin Brothers also is available at the SEC’s website <https://adviserinfo.sec.gov/Firm/105343>.

We are a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **Item 2 – Material Changes**

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### **Annual Update**

In this Item of Baldwin Brothers, Inc.'s (Baldwin Brothers or the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated March 28, 2019.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, the Firm has no material changes to report.

### **Full Brochure Available**

Baldwin Brother's Form ADV may be requested at any time, without charge by contacting Taylor C. Baldwin, Chief Operating Officer and Chief Compliance Officer, at (508) 748-0800 or [tbaldwin@baldwinbrothersinc.com](mailto:tbaldwin@baldwinbrothersinc.com).

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## Item 4 – Advisory Business

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Baldwin Brothers was founded in 1974. For over 40 years we've been redefining the client experience through highly personalized attention, by crafting portfolios and strategies that reflect the individual point of reference of the people we work with. The results are investments that have true and meaningful impacts on our clients' financial futures, the next generation, and the world around us.

The primary owner of Baldwin Brothers is Michael Baldwin. Michael owns Baldwin Brothers through ownership of Lulworth, Ltd., the sole shareholder of Baldwin Brothers Inc.

### **Description of Advisory Services:**

Our client base consists of individuals, high net worth individuals, trusts, estates, charitable organizations, pension and profit-sharing plans, pooled investment vehicles, business development companies, an investment adviser firm and a variety of business entities. The majority of our business (approximately 85%) involves providing investment supervisory services for our clients. In addition, we provide investment advice to clients through by monitoring accounts supervised elsewhere. Approximately 10% of the services we provide to our clients involve advice unrelated to securities.

Baldwin Brothers provides investment advisory services to clients on both a discretionary and non-discretionary basis.

Baldwin Brothers has discretionary authority over the accounts of our investment advisory clients. In some cases, Baldwin Brothers meets informally with the client from time to time to discuss specific investment goals and strategies. While these discussions do not result in formal restrictions on our discretionary authority, they provide guidance for our investment decision-making processes.

Baldwin Brothers also offers advice on equity securities, including exchange-listed securities, securities traded over the counter, and securities of foreign issuers. We provide advice on warrants, corporate debt securities, commercial paper, municipal securities, mutual fund shares, United States government securities, option contracts on securities, and futures contracts on intangibles. Advice is also provided on interests in partnerships that invest in real estate, oil and gas, and venture capital and leveraged buyout funds. Baldwin Brothers neither provides nor refers to any of its services as financial planning or similar services.

In addition, Baldwin Brothers occasionally creates pooled investment vehicles to invest third-party (including clients') funds or to invest in other investment funds, or directly in early and expansion stage private companies as well as funds that employ a specific investment strategy or invests in issuers which meet certain criteria. Baldwin Brothers also serves as the investment advisor to these privately offered pooled investment vehicles. These pooled investment vehicles are available only to persons who are "accredited investors" under the Securities Act of

1933, or, in the case of some of the funds, “qualified purchasers” under the Investment Company Act of 1940, as amended. These pooled investment vehicles are not made available to the general public and are not registered investment companies.

Baldwin Brothers’ pooled investment vehicles include: (a) those formed to meet a high minimum investment requirement for a third-party venture capital or other investment fund (“Single Investment Funds”) and (b) those formed to engage in a particular investment strategy holding securities from a variety of issuers (“Strategic Funds”). These types of pooled investment vehicles are described below.

Single Investment Funds. Our Single Investment Funds pool certain clients’ investments to meet a minimum investment requirement in a single fund. Withdrawals from the Single Investment Funds are subject to the redemption and withdrawal restrictions in the underlying fund. Single Investment Funds are typically organized as limited liability partnerships with Baldwin Brothers serving as the Management Agent.

### **Sub-Advisors**

In certain circumstances, Baldwin Brothers may recommend the services of a sub-advisor for clients who choose to invest in a fixed income strategy. The terms, compensation and conditions under which the sub-advisor is engaged are fully discussed with the client prior to implementing the strategy.

In addition, Baldwin Brothers may also recommend the services of sub-advisors for some of their private funds and a limited number of retail clients.

### **Tailored Relationships**

Baldwin Brothers tailors advisory services to the individual needs of the client. Clients may impose restrictions on investing in certain securities or types of securities. All limitations and restrictions placed on accounts must be presented to Baldwin Brothers in writing.

### **Fiduciary Statement**

Baldwin Brothers and its employees are fiduciaries who must take into consideration the best interests of the Firm’s clients. Baldwin Brothers will act with competence, dignity, integrity, and in an ethical manner, when dealing with clients. Baldwin Brothers will use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting our services, and engaging in other professional activities.

As a fiduciary, Baldwin Brothers has the obligation to deal fairly with our clients. Baldwin Brothers has the following responsibilities when working with a client:

- To render impartial advice;
- To make appropriate recommendations based on the client’s needs, financial circumstances and investment objectives;

- To exercise a high degree of care and diligence to ensure that information is presented in an accurate manner and not in a way to mislead;
- To have reasonable basis, information, and understanding of the facts in order to provide appropriate recommendations and representations;
- Disclose any material conflict of interest in writing; and
- Treat clients fairly and equitably.

**Wrap Fee Programs**

Baldwin Brother does not participate in a Wrap Fee Program.

**Client Assets**

As of December 31, 2019, Baldwin Brothers' assets under management were \$1,182,379,175; \$1,155,218,480 is managed on a discretionary basis; and \$27,160,695 is managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

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Baldwin Brothers generally charges fees quarterly, in arrears based on a percentage of the client assets under management. A majority of clients are covered by the following annual fee schedule:

1.25% per year for the first \$2,000,000;  
1.00% per year for the next \$3,000,000;  
0.75% per year for the next \$5,000,000; and  
0.60% per year for amounts over \$10,000,000.

Securities that are not publicly traded are valued at cost unless otherwise agreed with the client. In some special circumstances, Baldwin Brothers will negotiate the fees to be charged for account management and advisory services.

In addition to the fees described above, Baldwin Brothers provides account monitoring services, without any advisory or management services, for a flat fee. Fees range from \$600/month to \$1500/month.

A reduced fee is made available for charities and certain accounts for which only minimal services are rendered.

Smaller accounts, such as Individual Retirement Accounts (“IRAs”) and children's trusts, are generally placed in brokerage accounts with Pershing Advisor Solutions LLC (Pershing) and invested in a variety of mutual funds, as appropriate. Baldwin Brothers charges a fee of one percent (1%) annually for selecting and monitoring these investments, which is paid in addition to any fee that may be imposed by the individual fund into which a client's funds may be invested. This fee is payable annually in arrears or at such time the client terminates its advisory agreement with Baldwin Brothers with respect to the account, prorated based on the number of months which Baldwin Brothers maintained the account.

At the request of fewer than fifteen of its clients, we provide bookkeeping services and share check signing privileges with these clients on their individual bank accounts so that we may pay certain expenses of these clients. These services are provided for a fixed monthly fee negotiated with the client. Fees range from \$600/month to \$1500/month.

Finally, Baldwin Brothers occasionally provides consulting services for a fixed fee. Fees range from \$600/month to \$1500/month. These fees are negotiated on a case-by-case basis.

All fixed fees are charged quarterly in arrears.

### **Compensation – Partnerships**

Where Baldwin Brother provides services as the Management Agent for Single Investment Funds, Baldwin Brothers receives fees equal to 1% to 1.5% of the fund's capital commitments.

Also, each client who invests in a Single Investment Fund is required to pay a one-time administrative fee of \$500 upon entry.

Where Baldwin Brothers provides services as Manager for the Strategic Funds, Baldwin Brothers is paid a management fee equal to 1.5% of the Fund's assets, calculated and paid quarterly in advance. New investments in the Strategic Funds may be made quarterly or semi-annually, depending on the Fund, and investors may be redeemed quarterly provided they give proper advance notice with Baldwin Brothers. Baldwin Brothers has the right to delay a redemption if it would be detrimental to the Fund.

### **Compensation – Sub-advisory Fees**

In the cases where Baldwin Brothers recommend the services of a sub-advisor for clients investing in a fixed income strategy, there is an additional fee charged by the sub-advisor based upon the following fee schedule:

0.175% per year for assets up to \$5,000,000  
0.150% per year for assets over \$5,000,000

Sub-advisory fees are charged based on quarter-end values in arrears. All sub-advisory fees charged are separate and distinct from any advisory fees charged by Baldwin Brothers.

All other sub-advised accounts will be billed as follows:

0.75% per year

Sub-advisory fees will be charged in advance. Baldwin Brothers will not charge nor collect any additional fees on these accounts.

### **Fee Payment Options**

As indicated in our advisory agreement with you, there are two options you may select to pay for our services:

- *Direct debiting:* At the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its calculation on the assets on which the fee is based. They will “deduct” the fee from your account(s) or, if, you have more than one account with us, from the account you have designated to pay our advisory fees.
  - Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account; the statements after the quarter end will reflect these transactions, including the advisory fee paid by you to us.
  - Baldwin Brothers distributes quarterly reports to clients for each account under management. This report includes a description of assets held, on both a market



value and cost basis, by category. The report also includes calculations of the total portfolio value and yield.

- *Pay-by-check*: At the inception of your account and each month thereafter, we will issue you an invoice for our services, and you will pay us by check or wire transfer within 30 days of the date of invoice.

### **Additional Fees and Expenses**

As noted above, in certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. Fees charged are by the broker dealer / custodian.

We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds ("MF") and Exchange Traded Funds ("ETFs");
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions; and
- Other fees that may be incurred.

In addition, we do not have or employ any employee at all that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which we provide consulting expertise / services. As a result, we are a "fee only" investment adviser. We do not have any potential conflicts of interest present that relate to any

additional (and un-disclosed) compensation from you or your assets that we manage.

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

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees). Our advisory fee compensation is charged only as disclosed above (Item 5).

## Item 7 – Types of Clients

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We provide our services to a number of types of clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Pension and Profit-sharing plans
- Pooled investment vehicles
- Business development companies
- Other investment advisers
- Other business entities

Baldwin Brothers generally requires a minimum dollar value of assets under management of \$1,000,000 for starting or maintaining an account. Under special circumstances, Baldwin Brothers accepts portfolios with a dollar value of assets of less than \$1,000,000. Baldwin Brothers may group certain related client accounts for purposes of achieving the minimum account size.

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

### Analysis

Baldwin Brothers has been providing investment supervisory services for families and private foundations since the 1970s. This includes customized investment policy development, asset allocation, investment strategy implementation and ongoing review, all guided by the long-term investment goals. We aim to help clients simplify their investment strategies in an increasingly complex world and provide advice on a range of investment possibilities, including external managers and investments in private companies and real estate. We seek to provide you with access to the best risk/reward and best fit investment products and strategies that the marketplace has to offer. We offer unique investment products which can address macro themes, concerns for the environment, sustainable business practices and global social inequities. Our high touch relationship with our clients allows for a unique and personalized investment program to meet the challenges of a constantly changing and dynamic investing world fees and transaction costs. Our investment process combines both a top down thematic approach and fundamental bottom up due diligence. Our top down macro perspective is formed through a rigorous and continual screening of global market, industry, sector and societal trends by a team of highly experienced investment professionals. In forming these macro perspectives, we use a wide variety of resources including research from leading economists, financial newspapers and magazines, annual reports and prospectuses, and feedback from leading investment managers with whom we partner. The analysis of these trends and themes are used to identify investments with the highest risk/reward and fit with other investments in each portfolio's asset allocation.

Examples of investment strategies, asset classes and investment goals are listed below.

Investment Goal	Asset Class	Example
Liquidity		
	Cash	Money Market
	Cash	CDs
Income & Preservation		
	Fixed Income	US Treasuries
		Community Investment
	Fixed Income	Notes
	Fixed Income	Municipal Bonds
	Fixed Income	Corporate Bonds
	Fixed Income	International Sovereign
	Public Equity	Preferred Stock
		Master Limited
	Public Equity	Partnerships
	Public Equity	REITs
	Hedge Funds	Diversified
Capital Appreciation & Growth		

	Public Equity	US
	Public Equity	Global
	Public Equity	Emerging Markets
	Hedge Funds	Equity Long/Short
	Private Equity	Secondary Private Equity
	Venture Capital	VC Funds & Direct
Macro Events & Inflation Protection		
	Real Estate	REIT
	Commodities	Gold, Silver, Timber
	Public Equity	Commodities
	Currency	Currencies
	Agriculture	Land, Food

The allocation strategy for each client is derived from ongoing discussions with the client to determine the client's overall goals, objectives and risk profile, as defined in the investment policy statement. Using these investment goals, we then input our relative target weightings amongst the asset classes and ultimately the investment strategies within the asset classes. This asset allocation is dynamic and developed according to a process that continually assesses asset class projected returns based on current market inputs and future trends, both on the macro and micro level.

We continually update our view of the world and markets. The investment holdings generally reflect and express our sense of the longer-term implications of those views. We do not engage in market timing, but we make adjustments based upon valuation changes that exceed mid-term targets and changes in micro based fundamentals that affect, negatively or positively, our outlook for individual holdings, sectors, strategies and/or asset classes.

An exhaustive analysis of issuers is performed to determine approved investments looking at the investment strategy, historical performance as well as the management team and organization as a whole. For those clients interested in alternative investments, the hedge fund, private equity, venture capital and other unique investment strategies we work with other managers and funds which we have researched extensively and continually monitor their performance.

### **Risk of Loss**

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Investing in securities involves risk of loss that clients should be prepared to bear.

As you know, stock markets, bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is

not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

You may face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **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.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **False or Misleading Information:** Baldwin Brothers relies on information obtained from sources believed to be reliable to make investment decisions. No guarantee can be made that these sources are indeed reliable.

## Item 9 – Disciplinary Information

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We do not have any legal, financial or other “disciplinary” item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

This statement applies to our Firm, and every employee.



## Item 10 – Other Financial Industry Activities and Affiliations

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Baldwin Brothers is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

Baldwin Brothers is not registered and does not have an application pending as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

Baldwin Brothers occasionally creates pooled investment vehicles to invest third-party (including clients') funds in other investment funds or to invest directly in early and expansion stage private companies. Baldwin Brothers also serves as investment advisor to these privately offered pooled investment vehicles. For those pooled investment vehicles formed as limited liability partnerships, Baldwin Brothers acts as management agent, and for those pooled investment vehicles formed as limited liability companies, Baldwin Brothers acts as manager.

The pooled investment vehicles are available only to persons who are "accredited investors" under the Securities Act of 1933, or, in the case of some of the funds, "qualified purchasers" under the Investment Company Act of 1940, as amended. These pooled investment vehicles are not made available to the general public and are not registered investment companies.

Baldwin Brothers is also a co-owner of New Summit Investments, LLC, an exempt reporting advisor (ERA). This entity only services private funds.

### **Other Investment Advisors**

As noted in Item 4, Baldwin Brothers may recommend or select other investment advisors for its clients. Baldwin Brothers does not receive compensation for these recommendations.

## Item 11 – Code of Ethics

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As required by regulation (and because it's good business), we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our client (or prospective client) and to drive home a culture of compliance within our Firm.

An additional benefit of our Code is to detect and prevent violations of securities laws, including our obligations we owe to you.

Our Code is comprehensive, is distributed to each employee at the time of hire, and annually thereafter (if there are changes).

Our Code includes the following:

- Requirements related to the confidentiality of your information and investments;
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information);
  - Rumor mongering; and
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Reporting of gifts and business entertainment;
- Pre-clearance of employee and securities transactions;
- Reporting (on an on-going and quarterly basis) all personal securities transactions (what we call "reportable securities" as mandated by regulation); and,
- On an annual basis, we require all employees to re-certify to our Code, identify members of their household and any account to which they have a beneficial ownership (they "own" the account or have "authority" over the account), and all securities they own at that time.

Our Code does not prohibit personal trading by employees (or our Firm). As you may imagine, as a professional investment adviser, we follow our own advice. As a result, we may purchase or sell the same or similar securities (or securities that are suitable for an employee or related account but not suitable for any client, including you) at the same time that we place transactions for your account and the accounts of our other clients.

You may request a complete copy of our Code by contacting our Chief Compliance Officer at the address, telephone or email on the cover page of this Form ADV Part 2.

From time to time, Baldwin Brothers may recommend that certain clients participate in a partnership or partnerships for which Baldwin Brothers or one of its principals acts as general partner or management agent or in which any of the foregoing has an interest. These partnerships are formed to aggregate client contributions and thereby meet high minimum investment

requirements for third-party investment funds, to invest in early or development stage issuers, or to take advantage of a particular investment strategy. Baldwin Brothers, one of its principals or a wholly owned subsidiary of Baldwin Brothers, serves as the management agent of such partnerships and receives a management fee for its services. Baldwin Brothers recommends participation in these partnerships only after a thorough review of a client's complete financial condition. The offering memoranda for each partnership fully discloses Baldwin Brothers' financial interest in the partnership, as well as any interest of Baldwin Brothers' principals in the partnership.

It is Baldwin Brother's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. Baldwin Brothers will also not cross trades between client accounts.

## Item 12 – Brokerage Practices

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### **Research and Other Soft Dollar Benefits**

Baldwin Brothers receives research and other products or services, other than execution, from broker-dealers or third parties in connection with client securities transactions (soft dollar benefits). Baldwin Brothers clients benefit from soft dollar services on a level consistent with the transactions in their accounts. Baldwin Brothers' co-owned ERA, New Summit Investments, also shares in the generation of these soft dollars.

Currently, Baldwin Brothers receives services under soft dollar arrangements with broker/dealers. By utilizing client brokerage commissions to obtain research or other products and services, Baldwin Brothers receives a benefit because it doesn't have to produce or pay for the research, products or services. This practice presents a potential conflict of interest, as Baldwin Brothers has the incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on its client's interest in receiving most favorable execution. If research or other services are provided by a particular broker, Baldwin Brothers may pay a brokerage commission in excess of that which another broker customarily used by Baldwin Brothers and who does not supply research or other services might have charged for the same transaction. Baldwin Brothers will ensure that any cost for the additional research services will be in line with the services provided. Under the current soft dollar arrangement, this potential conflict is mitigated because the brokerage commissions paid to the particular broker are generally similar and very competitive with commissions paid to other brokers.

Baldwin Brothers' soft dollar policy is to:

- Examine soft dollar arrangements for research products and services that assist in the investment decision-making process;
- Make a good faith determination of the value of the research product or service in relation to the commissions paid;
- Maintain soft dollar arrangements for those research products and services that assist in the investment decision-making process; and
- Review, at least annually, the Firm's soft dollar arrangements.

### **Brokerage for Client Referrals**

Baldwin Brothers does not receive client referrals from broker/dealers.

### **Directed Brokerage**

Baldwin Brothers does not currently receive client referrals from any brokers and therefore does not factor that in when recommending or selecting brokers for clients.

As noted below, Baldwin Brothers permits clients to direct brokerage. However, if a client directs Baldwin Brothers to use a specific broker, they are reminded that Baldwin Brothers will

most likely not have the authority or ability to negotiate commission rates and therefore the client may pay higher commission fees.

### **Brokerage**

Securities transactions for accounts managed by Baldwin Brothers are executed by brokers whom we consider to be well established and financially sound. Baldwin Brothers maintains ongoing brokerage business relationships with Pershing as well as other national and regional brokerage firms. Baldwin Brothers will generally recommend that clients use Pershing and its affiliates for brokerage services, although we also permit clients to direct us to use brokers other than Pershing. When you direct us to use a certain broker, we can't ensure that you will receive best execution of the trades for which we send to the broker you choose.

Except as described above with respect to our relationship with Pershing, the criteria utilized in our selection of brokers are as follows:

- commissions charged for effecting securities transactions
- the experience and skill of the firm's securities traders
- the financial responsibility, administrative efficiency and breadth of services rendered
- the value, in our opinion, of research services and products provided with respect to the transaction to be executed and with respect to our overall perspective on the securities markets

Our primary objective is to receive the best realized net price for any transaction, taking into consideration the commission charged and the broker's execution capability. However, within that framework, we wish to compensate brokers for research services and products they provide that enable us to provide additional benefits to our clients and to better discharge our overall investment management responsibilities.

The research products and services provided by brokers include computer software that monitors and analyzes securities and prices, and computerized and hard-copy news and analysis services. To the extent that any of these products or services serve functions that are not related to the making of investment decisions (*e.g.*, portfolio software used for administrative purposes), we make a good faith effort to allocate the cost of the product or services according to its use and pay for non-research functions with our own funds. As a result, from time to time, clients may pay commissions higher than those obtainable from other brokers in return for research services and products and the custodial services described below. Baldwin Brothers finds it difficult to allocate research fairly to specific accounts, and therefore the benefits received by each client on each account may not be commensurate with the broker commissions generated by the account.

### **Aggregation**

Baldwin Brothers may aggregate multiple clients' purchase or sale orders for the same security in order to execute transactions in the most efficient manner. Purchases by Baldwin Brothers employees may also be aggregated with clients' purchase orders for the same security. In these

cases, Baldwin Brothers will attempt to allocate securities among its clients in a fair and unbiased manner. Baldwin Brothers will first make such allocations of the securities to its clients and in a manner that will not favor performance accounts over asset-based fee accounts or favor one class of clients over another. Baldwin Brothers will look at the investment goals and requirements of its clients involved in making such allocations.

## Item 13 – Review of Accounts

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Baldwin Brothers has no set schedule for account reviews. In general, however, accounts are reviewed on a weekly basis and are again reviewed in the event of capital additions or withdrawals, changes in market outlook or investment strategy, or the sale or purchase of a security.

Account reviews are handled by Michael Baldwin, President; David A. Barrett, Investment Adviser Representative; John L. Mannix, Chief Executive Officer; William H. Marvel, Investment Adviser Representative; Dylan D. Sage, Investment Adviser Representative; Michelle M. Buckley, Chief Investment Officer; Andrew N. Macken, Managing Director; and Emily Lambert, Senior Research Analyst. Reviewers discuss with clients their asset allocation, portfolio strategy, individual security selection as well as investment vehicles.

Baldwin Brothers distributes quarterly reports, with an appropriate cover letter, to clients for each account it manages. These reports include a description of assets held, on both a market value and cost basis, by category. These reports also include calculations of the total portfolio value and yield.

Clients who employ Pershing as a qualified custodian receive confirmations directly from Pershing at a frequency determined by the client. In addition, all clients receive quarterly account statements from their qualified custodian.

Baldwin Brothers regularly provides clients with tax information at the end of each year and as otherwise requested by clients.

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

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Baldwin Brothers does not have any arrangements with third parties where we receive any economic benefit from providing investment advice or advisory services (other than as described in Item 12). Baldwin Brothers does not pay compensation to any third party for client referrals.



## Item 15 – Custody

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Baldwin Brothers is deemed to have custody of client assets shall be held in the custody of a bank, trust company or brokerage firm agreed upon by the client and Baldwin Brothers. The client may authorize Baldwin Brothers (in the client agreement) to debit fees directly from the client's account at the custodian. The custodian is advised in writing of the limitation of Baldwin Brothers' access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to Baldwin Brothers.

Clients may provide Baldwin Brothers with written ongoing authorization to wire money between the client's accounts held with the qualified custodian directly to an outside financial institution (i.e. a client's bank account). A copy of this authorization is provided to the qualified custodian. The authorization includes the client's name and account number(s) at the outside financial institution(s) as required.

Clients may also provide Baldwin Brothers with a standing letter of authorization (or similar asset transfer authorization) which allows the Firm to disburse funds on behalf of clients to third parties. Baldwin Brothers ensures the following conditions are in place when deemed to have custody via third party money movement:

1. The client provides a Written Authorization to the custodian that includes all appropriate information as to how the transfer should be directed;
2. The Written Authorization includes instruction to direct transfers to the third party either on a specified schedule or from time to time;
3. Appropriate verification is performed by the custodian, along with a transfer of funds notice to the client promptly after each transfer;
4. The client may terminate or change the instruction to the custodian;
5. Baldwin Brothers has no authority or ability to designate or change any information about the third party contained in the instruction;
6. Baldwin Brothers maintains records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and
7. The custodian sends the client a written initial notice confirming the instruction and an annual written confirmation thereafter.

Baldwin Brothers is deemed to have custody over certain of its client accounts because one or more of our "related persons" either serve as a trustee for the account or have power of attorney over the **funds** in the account. Baldwin Brothers (certain employees) have check writing authority over client accounts. These forms of custody are offered on a limited basis. A qualified custodian holds the funds for these clients, and they are subject to a surprise examination by an independent accountant in accordance with the custody rules under the Investment Advisors Act.

Baldwin Brothers or a “related person” (entity) acts as Managing Member or General Partner of pooled investment vehicles in which clients invest, and as a result, is deemed to have custody over those pooled investment vehicles. Each pooled investment vehicle is audited annually by an independent accountant in accordance with the custody rules under the Investment Advisors Act. Investors receive audited financial statements within 180 days after the end of each fund’s fiscal year as required.

All of our clients receive account statements from a qualified custodian at least on a quarterly basis. Baldwin Brothers urges all clients to compare the account statement you receive from your qualified custodian and the statements provided by us.

Clients may notice occasional differences between the two statements, due to the fact that Baldwin Brothers reports all transaction based on trade date, whereas certain custodians report transactions based on settlement date. There are a few days between when a trade is placed (trade date) and when the trade settles (settlement date). Custodians may not list a transaction on a statement until settlement. Baldwin Brothers lists all transactions on trade date. Therefore, there may be month-end transactions listed on the Baldwin Brothers statement that are not reflected on the brokerage statement.

For tax and other purposes, the custodial statement is the official records of your account(s) and assets.

## Item 16 – Investment Discretion

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Baldwin Brothers has discretionary authority to manage the accounts on behalf of some, but not all, of its clients.

For those discretionary accounts, Baldwin Brothers receives discretionary authority from the client, through the investment advisory agreement, at the outset of an advisory relationship. With respect to these discretionary accounts, we retain full authority to determine securities to be bought or sold, the amount of securities to be bought and sold, the broker or dealer to be used, and the commission rates paid to such broker or dealer. While clients do not specify limits on this authority, we endeavor to maintain a balanced portfolio in each account and to follow an investment strategy for each account which has been discussed with and approved by the client.

If Baldwin Brothers has not been given discretionary authority, Baldwin Brothers consults with the client prior to each trade.

## Item 17 – Voting Client Securities (i.e., Proxy Voting)

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Unless otherwise directed by a client, Baldwin Brothers, Inc. will assume responsibility for voting the proxies we receive from companies in which our clients have invested. Because a client's interests in regard to a particular proxy may differ from those of Baldwin Brothers or the individual investment adviser responsible for voting that proxy, we have adopted a Proxy Voting Policy to ensure that the interests of our clients are always put first.

Baldwin Brothers will vote proxies in accordance with the recommendations of management of the issuing company soliciting the proxy unless the portfolio manager for a client's account determines that it is not in the best interest of the client to do so. In those cases, the portfolio manager or Chief Investment Officer will vote the proxy in the manner he or she determines is in the best interest of the client taking into account the client's financial and non-financial goals, the status and history of the underlying investment, and the conditions of the market in which the issuing company operates.

A client may request a copy of our complete Proxy Voting Policy and our Proxy Voting Record by contacting Taylor C. Baldwin, Chief Operating Officer and Chief Compliance Officer.

When Conflicts Occur. Conflicts can arise in a number of situations. Any of the following entities and individuals can be involved in a relationship that causes a conflict for a portfolio manager:

- Baldwin Brothers;
- the portfolio manager;
- any close family member of the portfolio manager;
- any trust for the benefit of any of the above; or
- any entity controlled (either directly or through any number of intermediaries) by any of the above.

If a portfolio manager has the authority to vote a particular proxy on behalf of a client, and any of the above entities and individuals has a known and material personal or business relationship with the company issuing that proxy or any of that company's officers, directors, employees, or holders of a substantial amount of its stock, a conflict may exist.

Each of the following is an example of a potential conflict:

- Baldwin Brothers provides services to the company issuing the proxy or one of its executive officers;
- a portfolio manager owns a substantial equity interest in the issuing company;
- a portfolio manager's son is married to a director of the issuing company;
- a trust for the benefit of a portfolio manager's grandchildren owns a substantial amount of stock in the issuing company; and

- a limited liability company run by a portfolio manager's spouse does a significant amount of business with the issuing company.

Although we have always voted, and will continue to vote, proxies in the best interests of our clients and without regard to what might or might not be beneficial for any other party, and in many instances no conflict will actually exist, it is important that there be no question of conflict. Therefore, all potential conflicts must be brought to the attention of someone other than the involved portfolio manager and the matter resolved in accordance with our policy.

The two primary methods of resolution are as follows:

1. Internal Resolution. If the individual responsible for voting a particular proxy has a potential conflict, that portfolio manager must determine if any of our other advisers could vote the proxy without any chance of conflict. If so, the portfolio manager responsible for voting should inform the non-conflicted portfolio manager of the relevant circumstances under which the proxy is to be voted (including, but not limited to, the client's financial goals, the status and history of the underlying investment, and the conditions of the market in which the issuing company operates), make a full disclosure of the responsible portfolio manager's possible conflict, and have the non-conflicted adviser make the decision as to how to vote the proxy.
2. External Resolution. If either Baldwin Brothers or any of our portfolio managers have a potential conflict of interest in regard to voting a particular proxy, there are three ways the proxy may be voted. The first, and most desirable, is to obtain instructions on how to vote the proxy from the client on whose behalf the proxy is to be voted (or that client's legal representative). The second is to obtain consent from the client (or the legal representative) to vote the proxy after making a full disclosure of the portfolio manager's possible conflict. If neither the client nor any of the client's legal representatives is available, however, the third approach is to obtain guidance from any reputable proxy research and voting service (e.g., Institutional Shareholder Services) as to how to vote the proxy for the general benefit of the issuing company's shareholders.

## Item 18 – Financial Information

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Baldwin Brothers has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any claim, bankruptcy or other financially related proceeding.

Baldwin Brothers is not required to provide Clients with a balance sheet; Baldwin Brothers does not require prepayment of fees of both more than \$1,200 per client and more than six months in advance.