

## Item 1 Cover

### **THE PORTOLA GROUP, INC.**

***PART 2A OF FORM ADV: FIRM BROCHURE 03/20/20***

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1250 Church Street, Suite C  
St. Helena, CA 94574**

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03/20/2020

This brochure provides information about the qualifications and business practices of The Portola Group, Inc.. If you have any questions about the contents of this brochure, please contact us at 650-854-7550 or [Bob@portolagroup.com](mailto:Bob@portolagroup.com). The information in this brochure has not been approved or verified by any state securities authority.

Additional information about The Portola Group, Inc. also is 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 105359.

Registration as an Investment Advisor does not imply a certain level of skill or training.

## Item 2 Material Changes

This Item 2 will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information. This 03/20/20 Firm Brochure contains updated information on the change in affiliated entities and the assets under management. The material changes since the last brochure have been to amend the base fee schedule to a flat 1.25% unless negotiated on a client-by-client basis, changing the office address from San Jose to St. Helena, and the firm is in the process of switching from SEC registration to State registration.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4 Advisory Business

The Portola Group, Inc. is a California-registered investment adviser with its principal place of business located at 1250 Church Street, Suite C, St. Helena, CA. The Portola Group, Inc. began conducting business in 1979.

The firm is in the process of switching from SEC registration to State registration.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Robert C. Fitzwilson, Trustee, Robert C. Fitzwilson Trust dated June 24, 1987. Robert C. Fitzwilson's Trust is the sole owner and Robert C. Fitzwilson is a Founder, President and Chief Investment Officer.

The Portola Group maintains a Disaster Recovery and Business Continuity Plan for use in the event of emergency of significant business disruption.

The Portola Group does not sponsor or participate in any wrap fee programs.

The Portola Group discloses all material conflicts of interest that involve the firm or its representatives.

The Portola Group, Inc. offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary and/or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants

- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other - In addition, our Firm provides advice on investments as limited partners in private equity, venture capital limited partnerships and in managed foreign securities limited partnerships and limited liability companies.
- Other - Domestic and foreign commercial bank accounts and Non-Dollar denominated assets held in foreign custodial accounts.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides non-continuous asset management of client funds based on the individual needs of the client. We manage these assets through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background. The client decides whether or

not to implement any recommendations.

We manage these advisory accounts on a discretionary and/or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio has been established, we review the portfolio quarterly, and if necessary, rebalance the portfolio on an annual basis, based on the client's individual needs.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles

- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other - In addition, our Firm provides advice on investments as limited partners in private equity, venture capital limited partnerships and in managed foreign securities limited partnerships and limited liability companies.
- Other - Domestic and foreign commercial bank accounts and Non-Dollar denominated assets held in foreign custodial accounts.

Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **FINANCIAL PLANNING**

We provide financial planning services for our individual clients as requested. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Financial planning services are included in continuous asset management services. Clients providing us with information receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review of estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through various methods including financial documents clients

send to us, in-depth personal discussions, phone and email exchanges, etc. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are implemented in coordination with the client's other financial and legal advisers.

### **PURCHASER REPRESENTATIVE SERVICES**

From time to time, The Portola Group, Inc. serves as Purchaser Representative for non-accredited investors involved in mergers and acquisitions. Shareholder Representative Services Acquiom has agreed to refer purchaser representative services to us, although we also receive occasional referrals directly from attorneys representing firms engaged in mergers and acquisitions. Our sole purpose is to assist those investors in understanding the documents presented to them. No investment advice is rendered by the Portola Group, Inc.

### **AMOUNT OF MANAGED ASSETS**

**As of March 20, 2020 , we were actively managing approximately \$47,000,000 of clients' assets. Of those assets, approximately, none were managed on a non-discretionary basis.**

## Item 5 Fees and Compensation

### INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

The annualized fee for Investment Supervisory Services for new clients is charged as a percentage of assets under management, according to the following schedule:

#### **Annual Fee**

1.25% of assets under management

Portola Group follows the safeguards established under the California Code of Regulations Section 260.237

Limited Negotiability of Advisory Fees: Although The Portola Group, Inc. has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client. Existing clients will retain the annual fee schedule identified in their original contract unless otherwise notified in writing by The Portola Group, Inc.

We may group certain related client accounts for the purposes of determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Fees are payable quarterly. The amount of the quarterly fee is based upon the estimated market value of the account at the end of the prior quarter. A copy of the calculation is sent to the client. Fees are deducted from clients' assets approximately 1 to 4 weeks after the start of the quarter in advance for the current quarter. PGI believes that its fees are competitive with fees charged by other investment advisers for comparable services.

### PORTFOLIO MANAGEMENT SERVICES FEES

The annualized fee for Portfolio Management Services for new clients is charged as a percentage of assets under management, according to the following schedule:

#### **Assets Under Management**

#### **Annual Fee**

1.25% of assets



Portola Group follows the safeguards established under the California Code of Regulations Section 260.237

The Portola Group does not, nor do its representatives, accept compensation for the sale of securities or other investment products, including asset based sales charges or service fees from mutual funds.

The annualized fee for Portfolio Management Services may be charged as a fixed fee, negotiated on a case-by-case basis. Overall factors to be considered will include the type and amount of assets to be managed and the complexity of the client's circumstances.

***Limited Negotiability of Advisory Fees:*** Although The Portola Group, Inc. has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client and shall not exceed a rate of 3.00% annually. Existing clients will retain the annual fee schedule identified in their original contract unless otherwise notified in writing by The Portola Group, Inc.

We may group certain related client accounts for the purposes of determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

Fees are payable quarterly. The amount of the quarterly fee is based upon the estimated market value of the account at the end of the prior quarter. A copy of the calculation is sent to the client. Fees are deducted from clients' assets approximately 1 to 4 weeks after the start of the quarter in advance for the current quarter. PGI believes that its fees are competitive with fees charged by other investment advisers for comparable services.

## **FINANCIAL PLANNING FEES**

The Portola Group, Inc.'s on-going Financial Planning services are provided as requested as part of the continuous investment advisory client assets under management fee. No additional fee for financial planning is charged for existing investment advisory individual clients.

The Portola Group, Inc. also provides ongoing comprehensive wealth planning, investment counseling, and investment, as well as data tracking services for clients under its personal CFO services. These services include data tracking of personal/household income and expenses and cash flow, as well as generating profit and loss reports. The services are for clients who are not receiving continuous individual portfolio investment management services. The annualized fee for Portfolio Management Services may be charged as a fixed fee, negotiated on a case-by-case basis. Overall factors to be considered will include the type and amount of assets to be monitored

and the complexity of the client's circumstances. Clients may select either to receive an invoice for fees or have them deducted directly from their assets. Fees for personal CFO services are established as annual retainer fees, which are paid on a quarterly basis in advance. They may range from \$5,000 to \$100,000 annually, but could be higher if the scope of the work warrants. Portola Group receives no commissions, fees or any other compensation other than the fee paid by the client per the contract.

### **PURCHASER REPRESENTATIVE SERVICES**

**Shareholder Representative Services** Acquiom has agreed to refer non-accredited investors in need of a purchaser representative as part of a merger or acquisition to The Portola Group, Inc. The fee for these services is \$1,000 per person, and a minimum of \$10,000 per transaction, but is also negotiable. The Portola Group, Inc. receives 75% of these fees while SRS Acquiom receives 25%. For referrals not made by SRS Acquiom, The Portola Group, Inc. retains 100% of these fees. There is also reimbursement for reasonable expenses involving such items as airfare and lodging where necessary. No investment advice is rendered.

### **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period and refund the clients' accounts.

***Mutual Fund Fees:*** All fees paid to The Portola Group, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These 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 the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which PGI effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:*** The Portola Group, Inc. is 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"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, The Portola Group, Inc. does NOT provide advice nor charge fees with regard to any products for which our firm and/or our related persons might receive any commissions or 12b-1 fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six or more months in advance of services rendered.

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

The Portola Group, Inc. does NOT charge performance-based fees.

## **Item 7 Types of Clients**

The Portola Group, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Other pooled investment vehicles (e.g., hedge funds)
- Charitable organizations
- Corporations or other businesses not listed above

There are no requirements for opening or maintaining an account with The Portola Group, Inc.

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

### **METHODS OF ANALYSIS**

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

***Charting.*** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may

last and when that trend might reverse.

***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.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Cyclical Analysis.*** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

***Qualitative Analysis.*** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***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.

## INVESTMENT STRATEGIES

We may use the following strategy(ies) in managing client accounts, provided that such

strategy(ies) 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 purchase 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 sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase 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.

**Trading.** We may purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Short sales.** We may borrow 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, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination 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.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the

option expires.

- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to speculate on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We may use "covered calls", in which we sell an option on security you own. In 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.

We use a "spreading strategy", in which we 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 client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have not been the subject of any disciplinary actions.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. The Portola Group, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's employees. Among other things, our Code of Ethics prohibits any acquisition of securities in an initial public offering. Our code also provides for oversight, enforcement and

record keeping provisions.

The Portola Group, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to bob@portolagroup.com, or by calling us at 650-854-7550.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Employees of PGI may not buy or, generally, sell securities that PGI also recommends to and purchases for clients. However, employees are permitted, subject to timing restraints, to fully liquidate their existing holdings in securities, which may be held in client accounts. Employees of PGI may purchase and sell other securities not on PGI's current "buy list", provided PGI has not traded in that security for a client that day (pre-clearance policy). PGI has a written policy prohibiting any trading by employees until all client orders for the day have most likely been transacted (the last 15 minutes of the trade day). In certain cases, PGI may purchase securities for client accounts that were previously owned by an employee, prior to consideration of acquiring such securities by PGI for its client accounts. Employees are required to submit written records of their securities holdings and transactions in accordance with applicable SEC rules.

PGI does not engage in any Agency or Principal Cross Transactions [PGI does not act as agent or principal with regards to securities transactions on the client's behalf].

**Privacy:** PGI collects non-public personal information about its clients from information received from clients on applications or other forms and information about clients' transactions with PGI or others. PGI maintains physical, electronic and procedural safeguards to comply with federal and state standards to guard each client's non-public personal information. PGI does NOT share any non-public personal information with any third parties, except in the following circumstances:

- As necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over PGI, or as otherwise required by any applicable law; and
- To the extent reasonably necessary to prevent fraud and unauthorized transactions.

PGI restricts access to non-public personal information to those employees who need to know such information to provide services to our clients.

PGI will provide each client with initial notice of the Firm's current privacy policy when the client relationship is established. PGI shall also provide each such client with a new notice of the Firm's current privacy policy at least annually.

## Item 12 Brokerage Practices

For discretionary clients, The Portola Group, Inc., subject to individual client directions and restrictions (clients may change/amend these limitations as required), makes client investment decisions, determines the broker to be used, and the commission rates at which transactions for client accounts will be effected, with the objective of obtaining the most favorable execution of each transaction. In seeking the most favorable execution, PGI evaluates a wide range of criteria, including the broker's commission rate, execution capability, positioning capabilities, back office efficiency, custom services, financial stability, research, trading platform, prior performance in serving PGI and its clients, and other services which will help PGI in providing investment management services to clients.

The Portola Group, Inc. may, therefore recommend (or use) a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, The Portola Group, Inc. may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to PGI and, indirectly, to PGI's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third- parties which are compensated by the broker. PGI does not attempt to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. PGI may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if The Portola Group, Inc. determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

When The Portola Group, Inc. uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that The Portola Group, Inc. does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

Within our last fiscal year, we have obtained the following research services on a soft-dollar basis: Reuters/Thomson Financial, William O'Neil Direct Access, Market Trends Research, Cornerstone Analytics, and other similar providers.



Brokers that we select to execute transactions may from time to time refer clients to our firm. The Portola Group, Inc. will not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and The Portola Group, Inc.'s interest in receiving future referrals.

The Portola Group, Inc. conducts periodic soft-dollar reviews, analyzing price and commissions offered by the various brokers used and volume of client commissions directed to each broker. Moreover, we perform a qualitative ranking of brokers used via discussions with our trading staff.

The Portola Group, Inc. will use block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. The Portola Group, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will vary the order of brokers through which it places trades for clients on any particular day. The Portola Group, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with The Portola Group, Inc., or our firm's order allocation policy.
- 2) The traders in concert with the portfolio managers must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable The Portola Group, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) In instances when the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation

may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, an explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) The Portola Group, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on The Portola Group, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

The Portola Group, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. The Portola Group, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides The Portola Group, Inc. with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are NOT contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit The Portola Group, Inc. but may not directly benefit our clients' accounts. Many of these products and

services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.
- vi. Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise such as compliance publications and conferences.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to The Portola Group, Inc. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

**Trade Errors:** If The Portola Group, Inc. ("PGI") makes an error while placing a trade for a client's account, PGI corrects the error as quickly as possible after detection and bears the costs of correcting the error. PGI does not use soft dollars to cover trade errors.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by a senior member of the Firm: President, Chief Investment Officer and Chief Compliance Officer Robert C. Fitzwilson.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients

receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

### **PORTFOLIO MANAGEMENT SERVICES**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by a senior member of the Firm: President, Chief Investment Officer and Chief Compliance Officer Robert C. Fitzwilson and Senior Investment Strategist Wendy C. Bastis.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, The Portola Group, Inc. will provide quarterly reports summarizing, if applicable, account performance, balances and holdings.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

It is The Portola Group, Inc.'s policy not to 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.

**The Portola Group does not currently compensate anyone for client referrals.**

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. Portola Group follows the safeguards for fee deduction established under the California Code of Regulations Section 260.237.

Portola Group has written authorization from the client to deduct advisory fees from the account held with a qualified custodian.

As part of this billing process, the client is sent a statement itemizing the fee including the formula used to calculate the fee and the time period covered by the fee. Concurrently, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On a monthly basis, the custodian sends to the client a statement showing all transactions within the account during the reporting period.

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

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions. For those clients not giving discretionary authority we secure clients' permission prior to effecting securities transactions.

## **Item 17 Voting Client Securities**

As a matter of firm policy and as provided in our investment management agreement, with the limited exception of ERISA accounts [discussed below], we do NOT vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. PGI does provide advice on and take action with regard to making elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We do not offer any consulting assistance regarding proxy issues to clients.

For clients that are subject to the Employment Retirement Security Act of 1974, as amended

("ERISA"), PGI does vote proxies, unless an ERISA plan specifically retains proxy voting authority.

When we vote ERISA clients' proxies, we generally vote consistent with management recommendations, unless it is in the client's interest to do otherwise. PGI has a proxy coordinator who manages the voting of ERISA client proxies. When conflicts of interests occur in proxy voting, we resolve such conflicts on a case-by-case basis. In all cases, the interests of clients are placed above the interests of PGI. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document, if not otherwise available on the internet, that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting The Portola Group, Inc. by telephone, email, or in writing, at the addresses and telephone number shown on page 1 of this brochure. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six or more months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. The Portola Group, Inc. has no additional financial circumstances to report.

The Portola Group, Inc. has not been the subject of a bankruptcy petition at any time during its 30+ year history.

## **Item 19 Requirements for State-Registered Advisers**

Robert C. Fitzwilson

### **A. Education**

Purdue University; BS, Industrial Engineering; 1969  
Stanford University; MBA; 1973

### **Business Experience**

The Portola Group, Inc.; President, Chief Investment Officer, Founder, Board of Directors;  
from 1979 to Present

B. Investment-Related Activities

Robert C. Fitzwilson is not engaged in any other investment-related activities.

C. Non Investment-Related Activities

Robert C. Fitzwilson is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

Robert C. Fitzwilson does not receive Robert C. Fitzwilson does not receive commissions, bonuses, performance-based fees or other compensation.

D. Robert C. Fitzwilson has no reportable disciplinary history.

E. Robert C. Fitzwilson has no relationship with issuers of securities

Robert C. Fitzwilson has disclosed, in writing, any material conflicts of interest that arise with his clients.