

# Forest Capital Management, LLC

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Item 1 – Cover Page

ADV Part 2A

Forest Capital Management, LLC

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This Brochure provides information about the qualifications and business practices of Forest Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at [mgrove@forestcapm.com](mailto:mgrove@forestcapm.com) or 312-809-6013. 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.

Forest Capital Management, LLC is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training. Additional information about Forest Capital Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

# Forest Capital Management, LLC

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## Item 3 -Table of Contents

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

# Forest Capital Management, LLC

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## Item 2 – Material Changes

There have been no material changes since the previous Forest Capital Management, LLC (**Forest** or the **Company**) ADV filing and therefore a statement of material changes is not applicable.

## Item 4 – Advisory Business

Forest is a Delaware limited liability company organized in May 2014 and is registered as an investment adviser with the Securities and Exchange Commission (**SEC**) under the Investment Advisers Act of 1940, as amended (the **Investment Advisers Act**). The Company provides investment advisory services to defined benefit plans and defined contribution plans in a co-fiduciary capacity pursuant to Sections 3(21) and 3(38) of the Employee Retirement Income Security Act of 1974 (**ERISA**). In a 3(21) co-fiduciary role, the Company provides advice to an employer associated with a retirement plan, and the employer retains the discretion to accept or reject the advice. In a 3(38) co-fiduciary role, the Company has the discretion to make investment decisions with respect to a retirement plan, although the sponsor of such plan still carries a fiduciary duty to monitor the Company. The Company's clients consist of employer-sponsored retirement plans including defined contribution plans, defined benefit plans, non-qualified deferred compensation plans, and cash balance plans. The Company currently does not provide investment advisory services to individuals and does not effect securities trades in any capacity. The principal owners of the firm are Nicholas Gialamas, Brian Jessen, and Michael Murlas.

Forest is an independent investment firm. Our investment philosophy is based on years of practical experience that prevents us from being swayed by short-term market moves. Using a holistic approach to retirement planning and management, Forest works closely with experts across the industry to provide clients a comprehensive approach to managing their assets.

Our retirement plan solutions allow us to provide employee retirement plan sponsors with suggestions regarding appropriate service providers and assist with controlling costs charged to employee retirement plans. Our goal is to mitigate the fiduciary risks of plans sponsors. To understand our client's goals and objectives, we have a comprehensive initial assessment meeting and ongoing communication with clients.

Forest currently manages approximately \$965 million in assets.

## Item 5 – Fees and Compensation

Forest is primarily compensated on the basis of fees calculated as a percentage of assets under management. In limited circumstances, the investment management fee is negotiable depending on many factors including, but not limited to, the size of the account, the complexity of the services provided, and other factors. The specific manner in which fees are charged by Forest shall be established in a client's written agreement with Forest. Forest reserves the right to negotiate the fee with its clients and may charge a higher or lower fee than the fee described herein.

In general, Forest will bill clients quarterly in advance of services rendered, based on a

# Forest Capital Management, LLC

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calendar quarter. For accounts opened during a quarter, the initial fee shall be pro-rated. Any client has the right to terminate the investment contract without penalty within five business days after entering into the contract. In the event a client terminates their account with Forest, all fees shall be pro-rated.

Payment of Forest's investment management fees will be deducted from each client's account on a quarterly basis by their custodian and paid directly to Forest, unless otherwise directed in writing by a client. The consent for deduction of fees is generally contained in the written agreement the client enters into with Forest. The clients' custodians will deliver a periodic (at least quarterly) account statement directly to the clients. The statements will include all transactions that took place in the account during the period covered and reflect any fees deducted and paid to Forest. The clients are encouraged to review their account statements for accuracy.

Forest's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Forest's fee.

Specifically, if client assets are invested in shares of mutual funds, these mutual fund shares may have mutual fund 12b-1 fees, mutual fund management fees, early termination fees (which include fees on whole or partial liquidations of an account) and other fees and expenses that may be assessed by the fund sponsor, custodian, transfer agent, adviser or other service providers. Further charges may be found in mutual fund prospectuses, annual report or custodial agreement. These fees are separate from Forest fees and will never be collected by Forest.

## Fee Schedule

### Retirement Plan Fees

The manner in which fees are charged by Forest is established in the written agreement with the client and are negotiable and customized for each client. Forest is compensated for its services on a fixed-fee basis or on a percentage of assets of the employee benefit plan. Fees are generally payable in advance at the beginning of each quarter. Fees are dependent on the services provided. Clients may pay fees directly to Forest or instruct their retirement plan service providers to deduct the fees from the retirement plan assets or from excess revenue generated by the retirement plan's investments.

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

Neither Forest nor any of its Supervised Persons accept any performance-based fees.

### Item 7 – Types of Clients

Forest currently provides portfolio management services to employer-sponsored retirement plans including defined contribution plans, defined benefit plans, non-

# Forest Capital Management, LLC

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qualified deferred compensation plans, and cash balance plans.

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

Forest's investment strategy is driven by several fundamental themes that permeate the way we analyze risk, opportunity and long-term market behavior. Our view is centered on the foundation of a long-term perspective that analyzes investments over complete market cycles, measuring returns in years rather than months or quarters. We are generally not short-term traders or market timers. Our independence is central to our ability to be unbiased when analyzing outside managers, risks and overall suitability for Forest client accounts.

Forest's investment process is a mix of active and passive management. We strongly believe in the long-term efficiency of major, highly liquid, open markets. The core of our investment portfolios will generally reflect this passive view. With that said, we do believe there are times when market conditions create opportunity for active management, and where the addition of such management can be diversifying and beneficial to our clients. These may be times of illiquidity, increased market volatility or specific to an asset class less heavily traded among the general public.

In general, Forest focuses on high quality investments that present attractive risk return characteristics for our clients. Every investment we make is made after carefully weighing and understanding the risk we're being compensated for. We take into account a variety of risk/return factors when assessing an investment's suitability for our clients.

Forest believes the foundations of our investment philosophy are time-tested and heavily supported by academic and real-world practical application. The open-architecture and wholly independent construction of our firm allows us the luxury of taking the best pieces from all around the industry when designing client solutions. It is a hybrid model that is dynamic by design even if firmly rooted in central investing tenants. It focuses on diversification as the primary guard against volatility, and balances opportunity with prudence to protect clients from unnecessary risk. We work with our clients to establish a clear investment plan, and once it has been formed, we stay true to the philosophy and guidelines that are central to the organization.

Investing in securities involves risk of loss that *Clients* should be prepared to bear. To minimize investment risk, Forest will hold a regular dialogue with senior management teams and reevaluate the investment thesis as more information is obtained.

### Risk of Loss

The investment advice provided, together with the strategies suggested by Forest, may vary depending on each Client's specific demographics and retirement saving goals and objectives. This brief statement does not disclose all of the risks and other significant

aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationships into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your experience, objectives, financial

# Forest Capital Management, LLC

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resources and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments for investment.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guarantee of future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the U.S. dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Futures and Options in Funds:** Funds may invest in options and futures on securities, indices and interest rates for the purpose of efficient portfolio management. Also,

Funds may invest in futures, options or forward foreign exchange contracts to hedge market and currency risks. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor.

# Forest Capital Management, LLC

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The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Sector Risk:** Funds which concentrate their portfolio in a specific sector may carry a higher degree of risk due to lower diversification and sector-specific risks. Because these investments are limited to a relatively narrow segment of the economy, the funds' investments are not as diversified as most funds. This means that these funds tend to be more volatile than other funds and their portfolio values can increase or decrease more rapidly. The performance of each fund may differ in direction and degree from that of the overall stock market.

**Small Capitalization:** Funds which include smaller capitalization companies, may involve greater risk than funds investing in larger, more established companies. For example, small capitalization companies may have limited product lines, markets and financial or managerial resources. As a result, price movements in securities of smaller capitalization companies may be more volatile. Transaction costs in securities of smaller capitalization companies can be higher than those of larger capitalization companies and there may be less liquidity.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Forest or the integrity of Forest's management. Forest has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

The CEO and an owner of the Company, Nicholas Gialamas, is employed by an insurance agency and is a licensed insurance agent. No insurance products are offered to clients of the Company. Forest does not believe that the employment of Nicholas Gialamas by the insurance agency presents a conflict of interest with the Company's clients and the Company has no business relationship with the insurance agency that is material to its advisory business.

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

Forest has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other



things. All supervised persons at Forest must abide by the terms of the Code of Ethics.

Forest may recommend to clients, directly or indirectly, securities where a related person has a position of interest. In the event this situation arises, Forest's employees and persons associated with Forest are required to follow the Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Forest will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Forest's clients.

Forest's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Forest Capital at [mgrove@forestcapm.com](mailto:mgrove@forestcapm.com).

## Item 12 – Brokerage Practices

The Company ceased providing investment advisory services to individuals and no longer effects securities trades in any capacity. As such, this Item no longer applies to Forest.

## Item 13 – Review of Accounts

All portfolios are monitored by the principals on a regular basis for performance, outlook and suitability based on client objectives. Account reviews with clients may be quarterly, annually or ad hoc, as requested by the client. Clients receive a written review of their current investment holdings and investment performance.

## Item 14 – Client Referrals and Other Compensation

Forest may use the services of unaffiliated solicitors. Under those circumstances, Forest may pay compensation to the solicitor; however, those arrangements will be affected in accordance with Rule 206(4)-3 under the Advisers Act and the client will not pay a higher fee as a result of any solicitation or referral. Clients will be informed of the solicitor agreement ahead of time and Forest will provide written documentation for signoff by Clients.

## Item 15 – Custody

Forest does not directly have custody of client funds or securities. All client funds and securities will be held by a broker-dealer, bank or other qualified custodian. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian. Forest urges you to carefully review such statements.

## Item 16 – Investment Discretion

Forest may provide discretionary and non-discretionary investment advisory services to its clients. In cases where Forest has discretion, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Forest observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Forest in writing.



# Forest Capital Management, LLC

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## Item 17 – Voting *Client* Securities

Without exception, Forest does not vote proxies on behalf of clients. All proxy materials received on behalf of a client account are to be sent directly to the client or a designated representative of the client, who is responsible for voting the proxy. Forests' Associated Persons may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy; however, the final decision of how to vote the proxy rests with the client.

## Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Forest's financial condition.

To ensure Forest could meet contractual and fiduciary commitments to clients during the Coronavirus pandemic, Forest obtained a Paycheck Protection Program (PPP) Loan under the Coronavirus Aid, Relief, and Economic Security (CARES) Act on 4/17/2020 in the amount of \$51,170. Forest used the PPP loan to continue payroll and health care insurance for employees primarily responsible for performing advisory functions for the business and support ongoing operations without an interruption in service. Additionally, Forest applied for PPP loan forgiveness in 2020 and is awaiting approval.

Forest has no other financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Forest does not solicit prepayment of more than \$1,200 in fees per client six months in advance.