

## Part 2A of Form ADV: Firm Brochure

### Item 1 – Cover Page



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This Brochure provides information about the qualifications and business practices of SEABRIDGE INVESTMENT ADVISORS LLC ("SeaBridge"). If you have any questions about the contents of this Brochure, please contact Nicole Goberman at SeaBridge at 908-273-5085 ext. 214 and/or [NGoberman@SeaBridge.com](mailto:NGoberman@SeaBridge.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SEABRIDGE INVESTMENT ADVISORS LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SEABRIDGE INVESTMENT ADVISORS LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with SeaBridge who are registered, or are required to be registered, as investment adviser representatives of SeaBridge.

Item 2 – Material Changes from last update June 19, 2020:

1. Nicole Goberman to replace Susan Boyd as Chief Compliance Officer effective 1-1-21
2. Effective 1-1-21 there is a change in ownership for SeaBridge. Susan Boyd, John Conti, and David Descalzi have stepped down as owners and Garnett Keith has reduced his stake to a minority position. Christopher Hohlstein, Adrian Morffi, Matthew Falkowski, Howard Chin, and Nicole Goberman are now the principal owners. Elyse DeBona is a minority owner.

SeaBridge's Brochure may be requested by contacting Nicole Goberman, Chief Compliance Officer at 908-273-5085 ext. 214 or [NGoberman@SeaBridge.com](mailto:NGoberman@SeaBridge.com). We will further provide new Brochures as necessary based on changes or new information, at any time, without charge.

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#### Item 4 – Advisory Business

SeaBridge is a registered investment adviser. The firm was founded in 1996 and has been managing client accounts since January 1997. The principal owners of the firm are Christopher Hohlstein, Adrian Morffi, Matthew Falkowski, Howard Chin, and Nicole Goberman.

All of the owners of SeaBridge are actively involved in the firm. In addition, while David Descalzi no longer holds shares in SeaBridge, he continues to manage portfolios and serves as Chairman of the Investment Committee.

SeaBridge manages global portfolios of publicly traded securities (primarily equities but also including some other classes of securities such as Master Limited Partnerships (MLPs), Real Estate Investment Trusts (REITs), closed-end funds (CEFs), Business Development Companies (BDCs), Exchange-Traded Funds (ETFs), etc.) These portfolios are generally in one of the following investment styles:

- Asia Strategy: (Primarily Asian Equities)
- Asia High Yield Strategy: (Primarily Asian securities)
- International Strategy: (Global Equities with a concentration outside the U.S.)
- Global Growth Strategy: (Global Equities)
- Core Global Strategy: (Global Equities with a concentration in the U.S.)
- Yield Growth Strategy: (Global Equities along with dampening assets)
- Cautious Core Strategy: (Global Equities, bond-like investments and cash)
- Longview Strategy: (U.S. Equities)

SeaBridge does manage portfolios in other specialized styles. SeaBridge also customizes portfolios for certain individual client criteria. Clients specify their level of risk tolerance and account objectives and may impose certain restrictions on the account (including restricting individual securities or groups of securities from purchase and/or sale).

SeaBridge offers:

- Discretionary management of individual client accounts
- Discretionary management of commingled funds
- Advice and recommendations to non-discretionary clients

For its **discretionary** management, SeaBridge manages the client portfolios according to the client's individual risk tolerance and objectives within the investment strategy chosen by the client. SeaBridge makes decisions about trading in the account according to its conclusions

about what would be appropriate for the client account (subject to any account restrictions specified by the client for the account or any specific instructions by the client, e.g. to raise cash for a withdrawal). SeaBridge executes the trades for the client accounts, reviews custodian actions and records for the clients, and votes proxies that SeaBridge receives for the securities in the client accounts.

For its **non-discretionary** client(s), SeaBridge reviews the portfolios and makes recommendations concerning individual securities, subject to the client's investment strategy, objectives and requirements. SeaBridge does not execute trades for these clients.

As of February 29, 2020, assets under management totaled approximately \$411 million:

- Discretionary: \$405 million
- Non-discretionary: \$6 million

In ADV Part 1, SeaBridge's Regulatory Assets under Management are for the latest fiscal year end, 12/31/2019, and that reported total does not include any of the non-discretionary assets since SeaBridge has no authority to execute trades in these accounts.

## Item 5 – Fees and Compensation

SeaBridge charges management fees for its services. Similar services may be obtained from other advisers at a lower cost. For its **discretionary** clients, these are based on assets under management and are generally charged quarterly in advance based upon the market value of the assets on the final business day of the previous quarter. For most discretionary clients, SeaBridge deducts the fees directly from the client accounts after the quarterly package of reports (which includes a copy of the management fee invoice which clients can review) is sent out to clients. Clients may, however, choose to pay their fees directly instead of authorizing SeaBridge to deduct the fees from their accounts.

Fees for **discretionary** accounts are set on a case by case basis depending on the type of account and are determined generally as a percentage of the amount of assets in the account at the beginning of each quarterly valuation period. For some clients for whom SeaBridge acts as a discretionary sub-adviser, fees are charged in arrears based on values at the end of the quarter. Standard fees for particular types of accounts are shown below:

ANNUAL RATE	
Asia Strategy	1.25%
Asia High Yield Strategy	1.00%
International Strategy	1.50%
Global Growth/Inflation Fighter Strategy	1.10%

Longview	1.00%
Core Global Strategy	1.10%
Yield Growth Strategy	1.00%
Cautious Core Strategy	0.50%

For certain larger accounts, SeaBridge may apply a layered fee schedule based upon the standard annual fee rates noted above, so that with respect to both individual and institutional accounts in excess of (i) \$3,000,000, a fee rate equal to .75 of the standard rate otherwise applicable to such account would apply to that portion of the account above \$3,000,000, and (ii) \$10,000,000, a fee rate equal to .50 of the standard rate otherwise applicable to such account would apply to that portion of the account above \$10,000,000 (while the fee rate in clause (i) of this paragraph would apply with respect to the \$3,000,001 - \$10,000,000 layer of any such account).

For clients or groups of clients with more than one account under management by SeaBridge, SeaBridge may consider the total assets under management for that client, client household, or consultant and may apply a discounted fee based on the total asset size.

Fees may also be reduced for employees and their families, officers or Senior Advisors of SeaBridge or for educational or philanthropic institutions or others.

For SeaBridge Asia Redux LLC, a large commingled discretionary account managed in the "Asia strategy", a 1.4% fee is applied on the entire assets in the account (with no discount on asset size). David C. Descalzi of SeaBridge is the Managing Member of this LLC.

The fees described above in the preceding paragraphs are intended to cover most discretionary accounts, but fees for individual client accounts with special needs or circumstances are negotiable over a range of 0.25% to 2.0%.

A minimum annual fee of \$5,000 applies for each account; however, the minimum fee may be reduced at the sole discretion of SeaBridge.

If a client terminates its relationship with SeaBridge, fees will be reimbursed on a pro rata basis for the quarter as of the date assets are removed from the firm's supervision. If a client opens an account or deposits additional funds during a quarter, fees for the quarter are also prorated.

SeaBridge may serve as a **non-discretionary** adviser or sub-adviser to some accounts. Fees for these are as follows:

- For one account managed in the “Asia strategy”, a fee based on an annual rate of 0.80% of assets under management is charged quarterly in advance.

For both discretionary and non-discretionary accounts:

SeaBridge’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, and other third parties such as management fees, custodial fees, transaction charges, ADR 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to SeaBridge’s fee, and SeaBridge shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that SeaBridge considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

SeaBridge does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

SeaBridge may provide portfolio management services to individuals, high net worth individuals, profit-sharing plans, charitable institutions, foundations, endowments, private investment funds, foreign funds such as UCITs, SICAVs and foreign investment companies, and other U.S. and international institutions and to investment companies.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

SeaBridge manages equity portfolios which are subject to the general risks associated with portfolios invested in equities. Examples of risks include, but are not limited to, the following:

- There is a risk of loss of principal.
- There are no guarantees that the expectations of the SeaBridge portfolio managers with regard to the individual securities or companies will be realized.
- There is a risk that the securities chosen for a client's portfolio based on the client's investment strategy and risk tolerance may have more risk than the portfolio manager anticipated.
- There is a risk that securities purchased will not perform as expected; securities may lose all or part of their value.
- There is a risk that securities may rebound after sale from the portfolio and the account would not get the benefit of that price appreciation.
- Some portfolios (e.g. some accounts managed in the Longview strategy) may hold more concentrated positions and thereby be subject to increased risk from volatility in individual securities.
- The COVID-19 outbreak is an example of a significant risk to portfolio values resulting from the pandemic impacting people, companies, economies and stock markets. It is uncertain how long the pandemic, and the global disruptions caused by it, will last.
- There could be other major disasters which could impact portfolio values significantly in the future.

For portfolio styles which include foreign securities, the portfolios are subject to the risks of foreign equities in general. Examples of risks include, but are not limited to, the following:

- There is a risk that the value of an investment in foreign stocks will decline based on unfavorable changes in currency exchange rates.
- There is a risk that events in a particular country (e.g. political upheaval, natural disasters, or financial events) might cause stock prices in that country to fall.
- There is a risk that investors may become concerned about political stability, human rights issues or health issues in a particular country and sell securities, driving down prices.



- Since China is a driver of Asian regional economic growth, there is a risk that a slowdown in the Chinese economy may have a negative impact on companies that depend on the Chinese market for goods and services.

SeaBridge analyzes the prospects for an individual company and its stock using company-reported data, Wall Street research reports, company conference calls, economic and market commentaries, and analysis of the competitive environment for the company, the overall economy, political environment and markets. For investment in funds, SeaBridge reviews the fund characteristics, managers, expenses, results and (for closed-end funds) the premium or discount at which the fund is trading relative to net asset value (NAV). SeaBridge's analysis and conclusions may be incorrect and the securities may not perform as expected.

## **Item 9 – Disciplinary Information**

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

SeaBridge clients and prospective clients may perform their own due diligence and check the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for information on SeaBridge or any of its principals.

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

The following organizations warrant some notes:

### **a. J.W. Childs Asia Equities**

SeaBridge had established a relationship with J.W. Childs Asia Equities (Hong Kong) Limited ("JWCAE"), a Hong Kong based investment firm, which was incorporated in November of 2006 and was licensed as an investment advisor and an investment management company with the Hong Kong Securities and Futures Commission (the "SFC"). JWCAE was also registered in the U.S. with New Jersey. JWCAE directly managed an Asia-focused listed equity portfolio on behalf of high net worth and institutional clients. David Descalzi, Managing Director in SeaBridge, was an Executive Director of JWCAE. JWCAE was dissolved in mid-2020.

JWCAE was 100% owned by JW Childs Asia Equities, Ltd (“JWCAE Bermuda”), whose ultimate owners include a private equity investor based in Boston, David Descalzi, the management staff of JWCAE, and other investors. JWCAE Bermuda still exists and has a sub-advisory non-discretionary contract with 1919 Investment Counsel (“1919”) to manage certain individual accounts. David, as a principal of that firm, provides recommendations for those accounts to 1919.

Under sub-investment advisory contracts, SeaBridge had hired JWCAE Bermuda as a non-discretionary sub-adviser for some client accounts managed in the Asia strategy. The sub-adviser contracts were cancelled when JWCAE was dissolved. However, some individuals from JWCAE continue to provide research on Asian securities to SeaBridge. SeaBridge pays a consulting fee for that research.

#### **a. Transatlantique Private Wealth (“TPW”)**

Effective July 1, 2020, SeaBridge serves as an investment sub-adviser on a discretionary basis for various accounts managed by TPW. Previously, and prior to the official change in adviser, SeaBridge served as investment sub-adviser to **FOURPOINTS Asset Management, Inc. (“FOURPOINTS”)** for those accounts.

SeaBridge takes care that the client accounts are treated fairly, including the allocation of investment ideas and the execution of trades.

#### **POOLED INVESTMENT VEHICLES**

David Descalzi is the Managing Member of one investment LLC (SeaBridge Asia Redux LLC) but there is no material conflict of interest associated with this.

SeaBridge Asia Redux LLC is an LLC for which SeaBridge acts as investment adviser pursuant to an investment advisory agreement with standard terms and conditions which have been ratified by an investment advisory committee independent of SeaBridge. Existing clients of SeaBridge (and members of SeaBridge Investment Advisors LLC) were offered the opportunity to invest in the LLC, which invests in publicly traded securities. SeaBridge receives compensation under the investment advisory agreements of the LLC. SeaBridge abides by SEC rules concerning custody of assets for pooled investment vehicles. Assets are held at a qualified custodian and annual audited financial statements are delivered to members of the LLC within 120 days of the end of the fiscal year for SeaBridge Asia Redux LLC.

The LLC is scheduled to terminate by the end of 2021.

## **OTHER ACTIVITIES**

Outside activities generally do not present material conflicts of interest. In their participation in any outside activities, SeaBridge associates keep in mind the need to always act in the best interests of SeaBridge clients and to maintain the confidentiality of SeaBridge clients. Also, if, in the course of these or any other activities, any SeaBridge associate receives information which may constitute material, nonpublic information, the associate (i) should not buy or sell any securities, including options or other securities convertible into or exchangeable for such securities, for a personal account or a client account, (ii) should not communicate such information to any other person (other than the Chief Compliance Officer) and (iii) should discuss promptly such information with SeaBridge's Chief Compliance Officer.

### **Item 11 – Code of Ethics**

It is the policy of SeaBridge that SeaBridge will always act in the best interest of its clients, as SeaBridge understands them. SeaBridge and all of its associates should abide by the firm's Code of Ethics.

SeaBridge itself does not invest in securities generally, but may from time to time invest its cash in stocks, bonds or other cash investments. Should SeaBridge purchase for itself securities being considered for clients, such purchases would be done following compliance rules which put client interests ahead of SeaBridge's. All persons associated with SeaBridge are prohibited from recommending securities which place or appear to place their own interests above that of any client.

All trades for a SeaBridge associate's personal or beneficially owned account must be executed in accordance with compliance rules which put client interests ahead of employee interests. Trades for a SeaBridge associate's portfolio which is managed by SeaBridge are treated in a manner consistent with other SeaBridge client portfolios.

### **Code of Ethics:**

SeaBridge has a Code of Ethics specifying that SeaBridge will adhere to the highest legal and ethical standards in conducting its business. All clients of SeaBridge receive a copy of the Code of Ethics and any client or prospective client may request a copy by contacting SeaBridge.

The Code of Ethics states that, as fiduciary, SeaBridge will render professional, continuous, and unbiased investment advice, acting at all times in the client's best interests and avoiding, where possible, conflicts of interests (and disclosing conflicts if they exist). SeaBridge's Compliance Manual sets forth guidelines and procedures to be followed by SeaBridge, its designated

compliance officers and all associates in order for them to fully comply with fiduciary standards and all laws, rules and regulations governing investment adviser activities. The Compliance Manual also details other policies and procedures which associates must follow.

All associates must:

1. Always place the interests of clients first;
2. Conduct all personal securities transactions in a manner consistent with this code of ethics, avoiding any actual or potential conflict of interest;
3. Never take inappropriate advantage of their positions;
4. Maintain the confidentiality of client and firm information;
5. Execute their responsibilities in a professional and ethical manner; and
6. Take appropriate action with regard to any illegal or unethical practices that come to their attention.

All associates have an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. They should try to avoid conflicts of interest and fully disclose all material facts concerning any conflict that does arise with respect to any client.

Any associate who becomes aware of a violation of the code of ethics must report that violation to the Chief Compliance Officer or to one of the other senior managers of the company.

All supervised persons at SeaBridge must acknowledge the terms of the Code of Ethics annually, or as amended.

Employee trading is continually monitored under the Code of Ethics and to reasonably prevent conflicts of interest between SeaBridge and its clients.

It is SeaBridge's policy that the firm will not execute any principal or agency cross securities transactions for client accounts. SeaBridge will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under

common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

SeaBridge is the investment adviser, and Mr. Descalzi the Managing Member, for a commingled fund managed in our Asia strategy. Some SeaBridge clients, as well as some members of SeaBridge, have invested in the LLC. SeaBridge receives no compensation from the LLC other than the standard investment advisory fee charged to the LLC.

## **Item 12 – Brokerage Practices**

### **Schwab**

SeaBridge generally recommends that individual 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 SeaBridge may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Individual clients open their accounts with Schwab by entering into an account agreement directly with Schwab. SeaBridge does not open the account, although SeaBridge may assist clients in doing so. Even though client accounts may be maintained at Schwab, SeaBridge can still use other brokers to execute trades as described below. SeaBridge is independently owned and operated and not affiliated with Schwab.

Schwab provides SeaBridge 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 advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional.

These services are not contingent upon SeaBridge committing to Schwab any specific amount of business (e.g. 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 SeaBridge client accounts maintained in its custody, Schwab generally does not charge separately for custody services but may be compensated by charging clients commissions or other fees on trades that it executes or that settle into their Schwab account. (Certain trades, for example, many mutual funds, ETFs and securities which are traded electronically currently

do not incur Schwab commissions or transaction fees.) Schwab is also compensated by earning interest on the uninvested cash in client accounts. In addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that a different broker-dealer executes but settles in your Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, SeaBridge has Schwab execute most trades for client accounts custodied at Schwab. SeaBridge is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although SeaBridge is not required to execute all trades through Schwab, SeaBridge has determined that having Schwab execute most trades is consistent with its duty to seek “best execution”. Best execution means the most favorable terms for a transaction based on all relevant factors.

Schwab Institutional also makes available to SeaBridge other products and services that benefit SeaBridge but may not directly benefit its clients’ accounts. Many of these products and services may be used to service all or some substantial number of SeaBridge’s accounts, including accounts not maintained at Schwab.

Schwab’s products and services that assist SeaBridge in managing and administering 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 allocation of aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of SeaBridge’s fees from its clients’ accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help SeaBridge manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; and (ii) publications and conferences on practice management and business succession. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to SeaBridge. 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 SeaBridge. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of SeaBridge personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, SeaBridge 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 it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Morgan Stanley Wealth Management (“MS”)**

SeaBridge manages portfolios for one client who has specified that custody be at MS (starting November 2015). MS provides transaction data and information on corporate actions and dividends to SeaBridge for the accounts that SeaBridge manages. The custodian MS requires that all foreign trades, trades in U.S. Treasuries, and all mutual fund orders for these accounts be done through MS for administrative reasons. These trades may have higher transactions costs than trades done through other brokers.

## **Other Brokers**

For discretionary accounts (except in cases mentioned above for MS), SeaBridge may select brokers for trading based on their ability to obtain best execution of a particular transaction, which includes such factors as price, execution quality, settlement efficiency, knowledge of markets, and research coverage (either directly or through a third party). Research includes both macro and security-specific research from brokers. Research services provided by a broker through whom SeaBridge executes trades for a particular client may be used by any or all of SeaBridge's clients. A client of SeaBridge may or may not use all of the services provided by the broker executing a trade for the client's account. SeaBridge will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to seek to achieve best execution consistent with the services provided by the broker. Although SeaBridge will generally seek competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. The broker may provide services such as those described above or the transactions themselves may involve specialized handling on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

SeaBridge monitors commission rates and reviews the commissions brokers charge for trades they execute.

## **Directed Brokerage**

SeaBridge generally has the discretionary authority to determine and direct execution of portfolio transactions within the client’s specified investment objectives without prior consultation with the client on a transaction-by-transaction basis.

In some cases, certain clients may limit SeaBridge's discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements and may direct SeaBridge to place transactions for their accounts with a particular broker-dealer, to, among other things, defray consulting fees or other fees. Where a client directs the use of a particular broker-dealer, SeaBridge may be unable to achieve most favorable execution of client transactions and the client may pay more in execution fees than if SeaBridge was permitted to choose the executing broker. In such cases, SeaBridge may not have as much discretion in determining the terms of how an order will be handled with such broker-dealer and may not be able to freely negotiate commission rates. In addition, SeaBridge may not be able to aggregate the client's orders with other client orders to reduce transaction costs. As a result, designating use of a particular broker-dealer may cause a client to pay higher commissions or receive less favorable net prices than would be the case if SeaBridge were authorized to choose the broker-dealer through which to execute the transaction for the client's account. Lastly, in an effort to achieve orderly execution of transactions, execution of orders for clients that have designated particular brokers may, in certain circumstances, be delayed until after SeaBridge completes the execution of non-designated orders; however, SeaBridge does not currently delay such transactions.

The client's choice of custodian may limit the choice of brokers available for trade execution. For example, as mentioned above, MS requires that foreign trades be done through MS for SeaBridge's client who chose MS for custody. Also, Schwab does not allow foreign executions in the local markets to be done via a DVP account (Delivery vs Payment account where trade is done at Schwab and settled directly at the custodian). Therefore, foreign trades for clients with custody at other custodians cannot be done at Schwab in block orders with accounts custodied at Schwab.

### **Trade Errors**

In the event SeaBridge makes an error in placement, execution or settlement of a trade order on behalf of clients, SeaBridge may place a correcting trade with the broker. SeaBridge will insure there is no negative financial impact to the client. If an investment gain results from the correcting trade, the gain will remain in the client account unless (1) the same error involved other client account(s) that should have received the gain, (2) it is not permissible for the client to retain the gain, (3) the client decides to forego the gain (e.g., due to tax reasons) or (4) brokerage trade correction procedures require that the correcting trade and the error trade remain in the brokerage error account. SeaBridge never receives the gain. If the gain does not remain in the client account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100,



SeaBridge will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in a client account, they may be netted. If the error was with another broker, SeaBridge would pay that broker for the loss, unless it is small and the broker chooses not to be reimbursed.

### **Trade Aggregation and Allocation**

SeaBridge generally aggregates trade orders for clients. Unless there are client-specific reasons to execute a trade for a specific account, SeaBridge generally reviews securities in the context of a particular investment strategy and recommends actions to take for that strategy as a whole (e.g. buy/sell/increase/trim/ take gains/ take losses, etc). SeaBridge will generally look across all accounts managed in that strategy and determine whether the action is appropriate for each particular account, taking into account factors such as the client's specific objectives and restrictions, the account cash level, current holdings, tax status, etc. SeaBridge then determines the number of shares to buy for each account and prepares a block order for execution. SeaBridge chooses the broker to execute and may place all or part of the order for execution. If the entire order is executed in one day, each account receives its specified number of shares at the same average gross price (before commissions). Note that after-commission price may vary among accounts depending on commission criteria established by the prime broker, local broker or custodian. If the entire order is not executed in one day (e.g. because of liquidity or price movement), SeaBridge determines an appropriate allocation method across accounts whereby all accounts participating in a specific day's allocation receive the same average gross price on that day. If individual accounts are targeted to receive a large position, a partial allocation may be made to the individual account (taking into account cost-efficient trading sizes). The allocation continues the next time a trade for this security is executed in the established sequence for that particular trade order (after review before placing the remaining order that no circumstances have changed which should result in a change to the order for a specific account or to the methodology to be used for the remaining allocation). One allocation method which may be used is random order. In other cases, accounts may be prioritized according to other criteria, for example, need for cash or excess cash or need for tax losses or investment strategy. In some other cases, a pro rata portion of the order is allocated to each account participating in the order each day a partial order is executed, particularly if such multiple allocations would not result in excessive transactions costs.

### **Item 13 – Review of Accounts**

SeaBridge reviews client portfolios on an ongoing basis. Individual portfolios generally fall within a specific investment strategy. The portfolio manager reviews the investments for the specific investment strategy on a regular basis, and periodically reviews individual accounts within the strategy relative to their objectives and risk tolerance.

Mr. Descalzi oversees the management of all SeaBridge investment strategies. Ms. Goberman is the Chief Compliance Officer and will review individual accounts. The investment committee will include Mr. Descalzi, Mr. Hohlstein, Mr. Keith, Mr. Chin, Mr. Morffi, Mr. Falkowski and Ms. Goberman, all seasoned investment professionals.

Clients receive a report on investment outlook, portfolio strategy, and investment results at the end of each quarter.

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

SeaBridge has a Solicitor's Agreement with **ProVise Management Group, LLC ("PROVISE")**, a registered investment adviser and financial planning and investment management firm. PROVISE may identify prospective clients who may be interested in SeaBridge's investment advisory services and introduce such prospects to SeaBridge. If SeaBridge accepts a client introduced by PROVISE, and if such client contracts for services, SeaBridge charges an investment advisory fee to such client, and pays, as a referral fee to PROVISE, a portion of such investment advisory fee.

SeaBridge receives an economic benefit from the custodian for the client account (e.g. Schwab) in the form of the products and services it makes available to SeaBridge as the investment adviser for the account. These products and services, how they may benefit SeaBridge, and the resulting potential conflicts of interest are described above. (See Item 12 – Brokerage Practices). The availability to SeaBridge of these products and services is not based on SeaBridge giving any particular investment advice such as buying particular securities for clients.

## Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SeaBridge urges clients to carefully review such statements and compare such official custodial records to the account statements that SeaBridge provides. SeaBridge statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Under government regulations, SeaBridge is deemed to have custody of client assets if the client authorizes SeaBridge to deduct management fees directly from the client's account or if the client grants SeaBridge authority to move money to another person's account. The custodian (e.g. Schwab) maintains actual custody of the assets. For most accounts managed by SeaBridge, the client has authorized SeaBridge to deduct fees from the client's account.

SeaBridge has custody of a commingled fund (SeaBridge Asia Redux LLC "Redux") since David Descalzi, Managing Director of SeaBridge, is also the Managing Member of Redux. Financial Statements for Redux are audited annually by a CPA registered with the Public Company Accounting Oversight Board and copies are delivered annually (within 120 days of the end of SeaBridge's fiscal year) to each member of Redux.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that **an adviser who has the power to disburse funds from a client account to a third party under a standing letter of instruction ("SLOA") is deemed to have custody of that account.** Some clients who have the custody of their accounts at Schwab have signed SLOA's authorizing SeaBridge to instruct Schwab to execute third party money movements for their accounts. To address this issue, SeaBridge has adopted the following safeguards in conjunction with Schwab:

1. The client provides an instruction to the qualified custodian (Schwab), in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes SeaBridge, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.

5. SeaBridge has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. SeaBridge maintains records showing that the third party is not a related party of SeaBridge or located at the same address as SeaBridge.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

#### **Item 16 – Investment Discretion**

SeaBridge usually receives discretionary authority from the client through the investment advisory contract at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, SeaBridge exercises such discretion in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, SeaBridge observes the investment policies, limitations and restrictions of the clients for which it advises.

Clients should provide their investment guidelines and restrictions to SeaBridge at the outset of the investment management relationship and should update those guidelines and restrictions as appropriate. SeaBridge specifically reminds clients to do so at least once a year.

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

Clients may obtain a copy of SeaBridge's complete proxy voting policies and procedures upon request. Clients may also obtain information from SeaBridge about how SeaBridge voted any proxies on behalf of their account(s).

In voting proxies for client discretionary accounts SeaBridge generally will:

- Vote with management on routine matters.
- Analyze the impact of other issues and vote on a case-by-case basis.
- Abstain on social, political or environmental resolutions unless its evaluation concludes that the economic impact of the proposal may be negative.

If an issue were to arise related to the vote of a proxy for a client account that represented a conflict between the interests of SeaBridge and the client, that issue would be considered by SeaBridge's investment committee to ensure that the vote is made in the interests of the client.

SeaBridge maintains records on the proxies it receives and votes for client accounts.

#### **Item 18 – Financial Information**

Registered investment advisers such as SeaBridge are required in this Item to provide certain financial information or disclosures about their financial condition. SeaBridge has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.