

# Disclosure Brochure

March 31, 2021

## **Draper Asset Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Draper Asset Management, LLC (hereinafter “Draper Asset Management” or the “firm”). If you have any questions about the contents of this brochure, please contact Robert F. Draper at (631) 361-4925. 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. Additional information about Draper Asset Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Draper Asset Management, LLC is a state registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

This Item discusses only the material changes that have occurred since Draper Asset Management's last annual update filed March 12, 2020. Item 10 has been updated to reflect that supervised persons are no longer registered representatives of an unaffiliated broker-dealer. The firm has no other changes to disclose in relation to this Item.

**Item 3. Table of Contents**

Item 2. Material Changes .....	ii
Item 3. Table of Contents .....	iii
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	6
Item 6. Performance-Based Fees and Side-by-Side Management .....	10
Item 7. Types of Clients .....	11
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9. Disciplinary Information .....	16
Item 10. Other Financial Industry Activities and Affiliations .....	17
Item 11. Code of Ethics .....	18
Item 12. Brokerage Practices .....	19
Item 13. Review of Accounts .....	23
Item 14. Client Referrals and Other Compensation .....	24
Item 15. Custody .....	25
Item 16. Investment Discretion .....	26
Item 17. Voting Client Securities .....	27
Item 18. Financial Information .....	28

## Item 4. Advisory Business

Draper Asset Management has been in business as a registered investment adviser since October 2008. The firm offers its clients investment management services and a range of consulting functions.

Draper Asset Management also does business as Union Partners Advisors, LLC ("*Union Partners*"). *Union Partners* primarily works with individuals employed by the public sector and who may have access to such accounts as 403(b), 457 or other specific retirement programs. The firm's primary objective of doing business in this marketplace is to provide investment advice to these clients in an effort to help them achieve their retirement goals.

Draper Asset Management's principal owner is Robert F. Draper and as of December 31, 2020, the firm had \$122,201,535 in assets under management, \$121,175,035 of which were managed on a discretionary basis and \$1,026,500 of which were managed on a non-discretionary basis.

Prior to engaging Draper Asset Management to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Draper Asset Management setting forth the terms and conditions under which Draper Asset Management renders its services (collectively the "*Agreement*").

This Disclosure Brochure describes the business of Draper Asset Management. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Draper Asset Management's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Draper Asset Management's behalf and is subject to Draper Asset Management's supervision or control.

### Consulting Services

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Draper Asset Management offers clients a broad range of consulting services, addressing a variety of financial matters. These services include tax and estate planning, as well as a host of other investment and non-investment related functions.

In performing these services, Draper Asset Management is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Draper Asset Management may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Draper Asset Management recommends its own services. The client is under no obligation to act upon any of the recommendations made by Draper Asset Management under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Draper Asset Management itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Draper Asset Management's recommendations. Clients are advised that it remains their responsibility to promptly notify Draper Asset

Management if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Draper Asset Management's previous recommendations and/or services.

### **Investment Management Services**

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Draper Asset Management manages clients' investment portfolios on a discretionary basis and non-discretionary basis.

Draper Asset Management allocates clients' investment management assets primarily among individual debt and equity securities and, to a lesser extent, mutual funds and exchange-traded funds ("ETFs") in accordance with the objectives of its clients.

Clients may engage Draper Asset Management to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Draper Asset Management directs or recommends the allocation of client assets among the various investment options available with the product. These assets are maintained at the underwriting insurance company or the custodian designated by the product's provider.

Clients may also engage Draper Asset Management to assist in the fund menu selection for their participation in programs such as 403(b) and 401k. Client engaged in this service receive an asset allocation recommendation based on the fund menu that they create. Draper Asset Management will monitor the asset allocation recommendation, however, clients are able to freely change their individual investments. Draper Asset Management receives an asset based fee based on each individual account holder's quarterly assets.

Draper Asset Management tailors its advisory services to the individual needs of clients. Draper Asset Management consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that impact the clients' investment needs. Draper Asset Management ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Draper Asset Management if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Draper Asset Management's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Draper Asset Management's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Item 5. Fees and Compensation

Draper Asset Management offers its services on a fee basis, which include fixed fees, as well as fees based upon assets under management and/or the performance of the client's portfolio.

### Consulting Fees

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Draper Asset Management charges clients a fixed fee to render consulting services. These fees are negotiable, but generally range from \$250 to \$5,000, depending upon the level and scope of the services to be rendered. If the client engages Draper Asset Management for additional investment advisory services, Draper Asset Management may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Draper Asset Management to provide consulting services, the client is required to enter into a written agreement with Draper Asset Management setting forth the terms and conditions of the engagement. Generally, Draper Asset Management requires one-half of the consulting fixed fee payable upon entering the written agreement with the balance due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fees

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Draper Asset Management provides investment management services for an annual fee ranging from 15 basis points (0.15%) to 125 basis points (1.25%) of the assets being managed by the firm, depending upon the size and composition of a client's portfolio and the type of services rendered. This fee is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter.

Draper Asset Management's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. Draper Asset Management does not, however, receive any portion of these commissions, fees and costs.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Draper Asset Management can negotiate a fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Draper Asset Management for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

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**Performance-Based Fees**

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Draper Asset Management also renders investment management services to “qualified clients” (as defined below) for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, Draper Asset Management charges a fee based upon a percentage of the assets being managed by Draper Asset Management (the “*base fee*”) in addition to a fee based on the performance of the account (the “*performance fee*”).

The *base fee* is generally equal to one percent (1.00%) of assets under the firm’s management. The *base fee* is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter.

The *performance fee* is generally equal to ten percent (10%) of the net performance of the client’s portfolio, subject to a high water mark. The *performance fee* is charged annually, in arrears, based upon the net portfolio gains at the end of a calendar period.

The term, “qualified client” refers to those clients with more than \$1,000,000 in assets invested with Draper Asset Management or a net worth in excess of \$2,000,000, as defined by Rule 205-3 under the Investment Advisers Act of 1940.

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**Fee Discretion**

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Draper Asset Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

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**Fees Charged by Financial Institutions**

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For investment management accounts, Draper Asset Management recommends that clients utilize the brokerage and clearing services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (“*TD Ameritrade*”), member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. This arrangement is discussed in further detail in response to Item 12 (below).

Draper Asset Management may only implement its investment management recommendations after the client has arranged for and furnished Draper Asset Management with all information and authorization regarding accounts with the appropriate financial institutions. Financial institutions include, but are not limited to, *TD Ameritrade*, any other broker-dealer recommended by Draper Asset Management, broker-dealer directed by the client, trust companies, banks, etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Draper Asset Management's fee.

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**Fee Debit**

Draper Asset Management's *Agreement* and the separate agreement with any *Financial Institutions* authorize Draper Asset Management to debit the client's account for the amount of Draper Asset Management's fee and to directly remit that management fee to Draper Asset Management. Any *Financial Institutions* recommended by Draper Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Draper Asset Management. Alternatively, clients may elect to have Draper Asset Management send an invoice for payment.

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**Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Draper Asset Management and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Draper Asset Management's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Draper Asset Management's right to terminate an account. Additions may be in cash or securities provided that Draper Asset Management reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Draper Asset Management, subject to the usual and customary securities settlement procedures. However, Draper Asset Management designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Draper Asset Management may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.





**Item 6. Performance-Based Fees and Side-by-Side Management**

As discussed in response to Item 5, above, Draper Asset Management may render investment management services to “qualified clients” for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Draper Asset Management to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Draper Asset Management charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee.

Draper Asset Management has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

**Item 7. Types of Clients**

Draper Asset Management provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. The firm does not impose an initial or ongoing minimum account size or minimum annual fee.

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

### Methods of Analysis

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Draper Asset Management analyzes and selects individual securities through a largely “bottoms up” approach. While the firm believes that macroeconomic themes are important to the success of any investment, Draper Asset Management concentrates its analyses on the individual merits of specific companies. The firm’s process generally involves:

- Creating an estimate of future free cash flow for the company;
- Applying an appropriate discount rate to the estimated future free cash flows in an effort to arrive at an intrinsic valuation; and
- Judging whether the current price being offered by the market is either a discount (lower) or a premium (higher) to the firm’s internally developed intrinsic value.

The primary risk in relying on analytical metrics that focus on fundamental company data is that while the overall health and position of a company may be good, macroeconomic and broad market conditions may negatively impact the price of the security.

### Investment Strategies

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Draper Asset Management’s investment process begins with an information gathering phase whereby the firm seeks to develop a clear understanding of:

- The client’s goals;
- The client’s expectations; and
- The client’s attitude towards day-to-day, month-to-month and year-to-year volatility with respect to the market price of his or her portfolio.

Clients’ expectations generally fall into one of the following three categories:

- Capital Preservation;
- Current Income Generation; or
- Capital Appreciation.

Typically, the firm’s clients have a desire to allocate a portion of their investments at varying percentage amounts among all three of the above mentioned goals. Draper Asset Management must then determine which percentage of investment assets are allocated to each of the categories.

For *Capital Preservation*, the firm focuses on the following types of investments:

- U.S. Government bills;
- Money market funds;
- Short-term municipal bonds; and
- Options.

For *Current Income*, the firm focuses on the following types of investments:

- Dividend paying stocks;
- Preferred stocks
- Corporate bonds;
- U.S. Government bonds and notes;
- Dividend focused mutual funds and ETFs;
- Real estate investment trusts (“REITs”);
- Master limited partnerships; and
- Municipal bonds.

For *Capital Appreciation*, the firm focuses on stocks (both dividend and non-dividend paying) and options.

Within each of these three categories, Draper Asset Management maintains portfolio allocations comprised of specific securities, mutual funds and ETFs. With regard to mutual funds and ETFs, the firm actively seeks out vehicles that maintain low expense ratios and present broad diversification among a specific asset class or market sector.

## **Risks of Loss**

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund’s underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund’s stated daily per share net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The trading prices of a mutual fund’s shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund’s shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a significant portion of Draper Asset Management’s recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Draper Asset Management will be able to predict those price movements accurately.

### *Management Through Similarly Managed Accounts*

For certain clients, Draper Asset Management may manage portfolios by allocating portfolio assets among various mutual funds and securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, Draper Asset Management buys, sells, exchanges and/or transfers shares of mutual funds and securities based upon the *investment strategy*.

Draper Asset Management’s management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to Draper Asset Management’s clients may be limited. For example, various mutual funds may limit the ability of Draper Asset Management to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12 (below), Draper Asset Management allocates investment opportunities among its clients on a fair and equitable basis.

*Real Estate Investment Trusts (REITs)*

The firm may recommend an investment in, or allocate assets among, various REITs, the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

*General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

**Item 9. Disciplinary Information**

Draper Asset Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Draper Asset Management does not have any required disclosures to this Item.



## Item 10. Other Financial Industry Activities and Affiliations

Draper Asset Management is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### **Affiliated Insurance Agent**

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Certain of the firm's *Supervised Persons* are owners of Northeastern Partners LLC ("*Northeastern Partners*"), a licensed insurance agent. A conflict of interest exists to the extent that Draper Asset Management recommends clients utilize the services of Northeastern Partners where its *Supervised Persons* are entitled to receive distributions relative to their ownership interest in *Northeastern Partners*. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliation.

## Item 11. Code of Ethics

Draper Asset Management and persons associated with Draper Asset Management (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Draper Asset Management’s policies and procedures.

Draper Asset Management has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). Draper Asset Management’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Draper Asset Management or any of its associated persons. The *Code of Ethics* also requires that certain of Draper Asset Management’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Draper Asset Management is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact Draper Asset Management to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Draper Asset Management recommends that clients utilize the brokerage and clearing services of *TD Ameritrade*.

Factors which Draper Asset Management considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables Draper Asset Management to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Draper Asset Management's clients comply with Draper Asset Management's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Draper Asset Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Draper Asset Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Draper Asset Management periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Draper Asset Management in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Draper Asset Management will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Draper Asset Management (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Draper Asset Management may decline a client's request to direct brokerage if, in Draper Asset Management's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client will be effected independently, unless Draper Asset Management decides to purchase or sell the same securities for several clients at approximately the same time. Draper Asset Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Draper Asset Management's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be

averaged as to price and allocated among Draper Asset Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Draper Asset Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Draper Asset Management's *Supervised Persons* may invest, Draper Asset Management does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Draper Asset Management does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Draper Asset Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Draper Asset Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Draper Asset Management in its investment decision-making process. Such research generally will be used to service all of Draper Asset Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Draper Asset Management does not have to produce or pay for the products or services.

#### **Software and Support Provided by Financial Institutions**

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Draper Asset Management receives from *TD Ameritrade*, without cost to Draper Asset Management, computer software and related systems support, which allow Draper Asset Management to better monitor client accounts maintained at *TD Ameritrade*. Draper Asset Management receives the software and related support without cost because Draper Asset Management renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related

systems support may benefit Draper Asset Management, but not its clients directly. In fulfilling its duties to its clients, Draper Asset Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Draper Asset Management's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Draper Asset Management's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at *TD Ameritrade*. *TD Ameritrade's* services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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 client accounts maintained in its custody, *TD Ameritrade* generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through TD Ameritrade or that settle into *TD Ameritrade* accounts.

*TD Ameritrade* also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by TD Ameritrade. Other potential benefits may include occasional business entertainment of personnel of Draper Asset Management by *TD Ameritrade* personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Draper Asset Management in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at *TD Ameritrade*. *TD Ameritrade* also makes available to Draper Asset Management other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, *TD Ameritrade* may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. *TD Ameritrade* 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 the Firm. While, as a fiduciary, Draper Asset Management endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at *TD Ameritrade* may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by *TD Ameritrade*, which creates a potential conflict of interest.

There is no direct link between Draper Asset Management's participation in the program and the investment advice it gives to its clients, although Draper Asset Management receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. Additionally, Draper Asset Management may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist Draper Asset Management in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Draper Asset Management manage and further develop its business enterprise. The benefits received by Draper Asset Management's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Draper Asset Management or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Draper Asset Management's recommendation of *TD Ameritrade* for custody and brokerage services.

## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom Draper Asset Management provides investment management services, Draper Asset Management monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Draper Asset Management provides consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by the Principal of Draper Asset Management, Robert F. Draper. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Draper Asset Management and to keep Draper Asset Management informed of any changes thereto. Draper Asset Management contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### Account Statements and Reports

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Certain clients to whom Draper Asset Management provides investment advisory services also receive a report from Draper Asset Management that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Draper Asset Management.

Those clients to whom Draper Asset Management provides consulting services receive reports from Draper Asset Management summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Draper Asset Management.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Draper Asset Management does not currently provide compensation to any third-party solicitors for client referrals.

### Other Economic Benefits

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Draper Asset Management receives economic benefits from *TD Ameritrade*. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.



## Item 15. Custody

Draper Asset Management's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Draper Asset Management through such *Financial Institution* to debit the client's account for the amount of Draper Asset Management's fee and to directly remit that management fee to Draper Asset Management in accordance with applicable custody rules.

The *Financial Institutions* recommended by Draper Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Draper Asset Management. In addition, as discussed in Item 13, Draper Asset Management also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Draper Asset Management.

**Item 16. Investment Discretion**

Draper Asset Management may be given the authority to exercise discretion on behalf of clients. Draper Asset Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Draper Asset Management is given this authority through a power-of-attorney included in the agreement between Draper Asset Management and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Draper Asset Management takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

**Item 17. Voting Client Securities**

Draper Asset Management is required to disclose if it accepts authority to vote client securities. Draper Asset Management does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

**Item 18. Financial Information**

Draper Asset Management is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$500 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Draper Asset Management, LLC**

*a Registered Investment Adviser*

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