

# **Portola Partners**

**CRD # 305407**

## **Form ADV Part 2A (the “Brochure”)**

**March 2021**

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This Brochure provides information about the qualifications and business practices of Portola Partners Group LLC (“Portola Partners”, the “Firm”, “we”, “us”, or “our”) d/b/a Portola Partners. If you have any questions about the contents of this Brochure, please contact the Firm’s Chief Compliance Officer at (650) 433-8779 or [cco@portolapartnersllc.com](mailto:cco@portolapartnersllc.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.

Additional information about the Firm is available on the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Note: Any reference to or use of the terms “registered investment adviser” or “registered” in this document, does not imply that the Firm has achieved a certain level of skill or training.

## Material Changes

### **Material Changes Since the Last Update**

The purpose of this page is to inform you of any material changes since our last annual update of this Brochure. This page is updated annually and when material changes occur.

In March 2021, the Firm began providing discretionary investment management services to clients. In such engagements, the Firm makes investment decisions on behalf of the client.

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## Advisory Business

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### Description of Advisory Firm

Portola Partners Group LLC (“Portola Partners”, the “Firm”, “we”, “us”, or “our”) does business as Portola Partners and is a privately-owned limited-liability company and a federally registered investment adviser. The Firm is structured to provide quality personalized financial and investment advice and service to each and every client.

Portola Partners began conducting its investment advisory business on January 1, 2020.

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### Principal Owners

The principal owners are Steven R. Rehmus and Zachary A. Herlick.

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### Advisory Services Offered

The Firm provides personalized financial counseling and investment advisory services on a fee-only basis to high-net-worth individuals and families (i.e., investment assets in excess of \$5 million), trusts, estates, private foundations, endowments, qualified retirement plans, and senior corporate executives. Also, the Firm may provide an ad-hoc or project-based consultation to a client on an hourly basis if the Firm deems such consultation appropriate under the circumstances. The Firm does not receive commissions, finder's fees, or remuneration from the sales of securities or other financial products, including but not limited to annuities, insurance, stocks, bonds, mutual funds, and limited partnerships. Furthermore, the Firm is not affiliated with entities that sell financial products or securities. Other professionals (e.g., lawyers, accountants, insurance agents) are engaged directly by the client on an as-needed basis.

Conflicts of interest will be disclosed to the client in the unlikely event they arise.

Financial counsel and investment advice are provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow analysis, insurance review, education funding, and retirement and estate counseling.

Senior investment professionals who are owners or employees of the Firm are “Advisors” to the client. The Firm makes investment recommendations to a client based on the client’s unique objectives and circumstances. When the Firm has discretion over a client account, the Firm may implement its specific recommendations without first obtaining the client’s approval. However, the Firm does seek approval from the client before making changes to the overall investment strategy agreed to with the client. When the Firm does not have discretion, the client’s authorization is required to implement recommendations.

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### Tailored Relationships

The Firm’s financial counsel and investment advice is customized and tailored to the unique goals, objectives, and needs of each client.

The initial meeting with a prospective client, which may be conducted by telephone, is free of charge and is considered an exploratory interview to

determine the extent to which the financial counseling and investment advice services provided by the Firm may be beneficial to the prospective client.

At the outset of the Firm-client relationship, the Firm typically conducts an in-depth discovery of the client's goals, objectives, and attitudes based on information provided by the client. The Advisor then evaluates the client's current financial situation. This evaluation is often written and accompanied by a net worth statement and typically includes a review of the client's stated objectives as well as the Firm's recommendations as to the client's overall financial and investment program.

Periodically over the course of the client engagement, the Firm reviews the client's objectives and investment program with the client to provide reminders of the specific courses of action that should be taken.

The Advisor may conduct more frequent reviews of the client's objectives and investment program without the client's involvement, and will communicate any recommended changes to the client, as appropriate. Also, clients may impose restrictions on investing in certain securities or types of investments from time to time, as they see fit.

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**Wrap Fee Programs**

The Firm does not participate in wrap fee programs.

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**Assets Under Management**

As of December 31, 2020, the Firm had \$4,998,501,584 in non-discretionary assets under management.

## **Fees and Compensation**

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**Typical Fee Arrangement**

The Firm charges a base fee to each client that is determined by the Firm and approved by the client typically on an annual basis, although the Firm and any client may agree to adjust the base fee on a more frequent basis.

The Firm will determine the amount of the base fee to be charged to a particular client (subject to client approval) based on a number of factors unique to each client. Such factors may include but are not limited to: the amount of client assets under management, anticipated future assets, types of assets, complexity of services to be provided, service intensity, degree of custom work, time requirements, the number of entities in the client's portfolio, the number of client family members served, ease of interaction, and travel requirements.

Depending on factors such as those listed above, the base fee that the Firm charges its clients typically varies from 0.15% to 1.00% of assets under management. Fees are agreed upon by the Firm and client. This fee is generally lower for clients with higher amounts of assets under the Firm's management and higher for clients with lower amounts of assets under the Firm's management; however, the other factors listed above will also influence pricing. On a case-by-case basis, the Firm may agree with a client on additional fees to be charged to the client by the Firm separate from the base fee described above for special projects that would supplement the services the Firm performs in typical client

engagements. In all cases, the services to be provided and the fee(s) for those services are fixed fees that are agreed upon in writing in advance with the client.

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**Rates for Ad Hoc or Project-Based Consultation(s)**

When a client engages the Firm to undertake an ad-hoc or project-based consultation, the Firm will charge the client an hourly fee – the rate(s) for the hourly fee may vary depending on the (i) the service(s) provided, and (ii) the experience, knowledge, skill, and compensation of the individual(s) performing the services on behalf of the Firm. Hourly rates generally range from \$100 to \$2,500 per hour.

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**Termination Fees**

In the event that a client's Financial Counseling Agreement terminates, the Firm will refund on a daily prorated basis any fees that the client had paid to the Firm in advance for services that the Firm had not yet provided as of the date of termination for that billing period.

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**Billing Method**

The Firm generally invoices its fees to clients quarterly or semi-annually in advance on a calendar year basis. Clients are not required to pay fees six months or more in advance.

Each client may elect to pay fees due to the Firm by authorizing the client's custodian in writing to deduct such fees directly from one of such client's brokerage accounts. For new clients, the first invoice is a prorated calculation based on the number of days remaining in the billing period.

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**Other Fees and Expenses**

Fees paid by clients to the Firm for investment advice are separate and distinct from the asset management fees and expenses charged by (or incurred within) mutual funds, exchange-traded funds, separate account money managers, limited partnerships, and other pooled investment vehicles that the Firm may recommend.

Fees paid to the Firm do not include custodian or brokerage transaction fees. Clients purchase investments that the Firm recommends through the broker-dealer or custodian designated by the client. The Firm is not affiliated with any custodian or brokerage firms. See **Brokerage Practices** for more information. Custodians and brokerage firms may charge transaction fees and/or other similar charges on purchases or sales of certain mutual funds and exchange-traded funds. These costs are generally small and incidental to the purchase or sale of a security. Neither the Firm, nor any of its owners or employees shares in any commissions or transaction fees charged by our clients' custodians or brokerage firms.

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**Other Benefits or Compensation Received by the Firm, its Owners, or its Employees**

As discussed elsewhere in this document—see **Code of Ethical Conduct, Participation or Interest in Client Transactions** and **Personal Trading**—in the event that one or more of the Firm's clients invest in a private investment vehicle recommended by the Firm, the general partner or manager of such

private investment vehicle may permit one or more owners or employees of the Firm to invest their personal capital in the private investment vehicle on or about the same time as the Firm's client(s) in an amount that is less than the stated minimum investment amount that the Firm's client(s) are required to make.

## Performance-Based Fees and Side-by-Side Management

Not applicable. The Firm does not charge performance-based fees or other fees based on a share of capital gains or capital appreciation of client assets.

## Types of Clients

### Description

The Firm generally provides financial counsel and investment advice to individuals and families with substantial investment assets (i.e., typically in excess of \$5 million), high income professionals, and senior corporate executives. The Firm may also provide similar services to pension and profit-sharing plans, trusts, estates, limited liability companies, private foundations, and other charitable or tax-exempt organizations.

Each client executes a Financial Counseling Agreement, which outlines the scope and terms of the engagement (including the annual fee to be paid to the Firm). Such agreement can be terminated as set forth in the agreement.

### Account Minimums

The Firm does not maintain account minimums. Instead, the Firm uses its best judgment to determine whether a client can benefit from its services.

## Methods of Analysis, Investment Strategies, and Risk of Loss

### Methods of Analysis

The Firm begins the process of providing financial counseling and investment advisory services to clients by gaining an in-depth understanding of factors specific to the client engagement, such as the client's current financial situation, needs, goals, objectives, attitudes, constraints, past experiences with investments, tax-sensitivity, and tolerance and capacity for risk. The Firm works with the client to document the client's objectives within either an objectives statement, an investment policy statement, or a client profile, depending on the scope of the engagement. Over the course of the Firm-client relationship, such document may be updated or changed by the Firm with the client's approval as the client's situation changes.

Based on the Firm's understanding of a client's goals and objectives, the Firm typically develops a detailed financial and investment program, complete with specific asset allocation and investment policy recommendations intended to help



the client achieve the client's overall financial goals and objectives. However, as discussed below, investing in securities involves risk of loss that clients should be prepared to bear. Further, some risk exists that the Firm may recommend the same investment in a pooled investment vehicle to more than one client, which could lead to oversubscription if the pooled investment vehicle has limited investor slots. In the event of oversubscription, the Firm will confirm that the manager or general partner of the pooled investment vehicle will accommodate all interested and qualified clients by allocating available investor slots among all interested and qualified Firm clients on a pro rata basis.

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### **Investment Strategies**

The Firm's client investment strategies emphasize long-term investment in a diversified portfolio of marketable and non-marketable investments intended to provide superior after-tax, inflation-adjusted, economic returns.

The Firm generally recommends broad diversification via a long-term asset allocation strategy—diversified both across asset classes and within asset classes, in an effort to improve the risk and return potential of client portfolios. More specifically, the Firm may employ multiple asset classes (both liquid and illiquid), market capitalizations, market styles, and geographic regions to provide diversification.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, long-term wealth transfer objectives, time horizon, and choice of custodian are all factors that influence the Firm's investment recommendations.

For typical client engagements, each portfolio maintains a long-term target asset allocation strategy. During each periodic review/meeting, the Firm reviews with the client the extent to which the actual allocation matches the target allocation. When the variance is considered excessive, the Advisor will take steps to bring the actual allocation within an acceptable range of the target. This process, known as "rebalancing", offers a systematic and disciplined way to trim investment classes that have been in favor and redeploy capital to asset classes that have been out of favor. When a client has given the Firm discretion over an account, the Advisor and the client will agree, in advance, on any applicable thresholds and any desired frequency of rebalancing.

Investment advice given to clients more often than not includes recommending long-term purchases/holds. However, other investment strategies that may also be implemented include short-term purchases, margin transactions, and options (including buying puts or selling covered calls).

Marketable asset classes employed by the Firm primarily include no-load mutual funds and exchange-traded funds. Investments may also include: equities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. government securities, options contracts, futures contracts, interests in limited partnerships, and investment company securities (variable life insurance, variable annuities, and mutual funds shares).

Equity mutual fund recommendations are developed with the objective of selecting a well-diversified fund, or group of funds, with appropriate historical performance, and the level of volatility (risk) determined to be appropriate for each client. The Firm considers data provided by various sources of third-party research and analytics when assessing mutual funds.

The Firm may also advise clients who are corporate officers or employees on the merits of diversifying large holdings of shares of the corporation's stock and on other forms of compensation which may be payable in the corporation's stock.

The Firm recommends third-party sponsored private investment vehicles that are not available to the broad public. To date, these private investment vehicles include diversified hedge funds, private investment real estate funds, diversified leveraged buyout fund of funds, distressed opportunities fund of funds, venture capital fund of funds, and tax-sensitive inflation hedges. Neither the Firm nor any of its owners or employees receives any compensation or fee-sharing from recommending any of these private investment vehicles or their investment managers.

Virtually every private investment vehicle is unique and requires a careful evaluation of the specifics from venture to venture. The most important source of information for the Firm's evaluation of a private investment vehicle will be the investment prospectus prepared by the management of the private investment vehicle.

Evaluation of privately negotiated investments and limited partnerships of all varieties are developed on the basis of an in-depth, fundamental evaluation of the business, management, markets, risks, liquidity, tax considerations, and other factors affecting the economic and investment viability of each individual venture. The Firm relies on consultants, appraisers, accountants, lawyers, etc. as necessary for specialized assistance.

The Firm does not represent, imply, or guarantee that the services or methods of analysis used to make investment recommendations can or will produce successful results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or crashes. No guarantees can be offered that a client's goals or objectives will be achieved. Past performance is not an indication or guarantee of future results. Clients are advised that the recommendations offered by the Firm are not legal or tax advice. Clients are advised to promptly notify the Firm with respect to any changes in their financial situation and/or financial goals and objectives. Failure to do so could result in recommendations not meeting the objectives and/or needs of the client.

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**Risk of Loss**

All investments and investment programs have a variety of risks that are borne by the investor. As such, there can be no assurance that any investment strategy will prove profitable or successful. Below is a summary of the material risks associated with the investment strategies that the Firm typically recommends:

- **Private Investment Vehicle Risks:** Private investment vehicles involve various risk factors including, but not limited to, potential for complete loss of

principal, liquidity constraints, and lack of transparency. Private investment vehicles do not provide daily liquidity or pricing, and often restrict the ability to redeem all or part of an investment in a fund. In addition, these funds typically charge higher fees and expenses than some other investment products.

- **Exchange-Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges. ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets. ETF managers use different strategies to achieve this goal, but they generally do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets. An ETF can be traded at a discount or premium to its Net Asset Value (NAV). This price discrepancy is caused by supply and demand factors and is particularly likely to emerge during periods of high market volatility and uncertainty.
- **Mutual Funds:** These funds are pooled vehicles that hold a diverse group of underlying investments. Depending on the strategy of the fund, it may hold equity, fixed income, or other investment types and be subject to risks associated with those underlying investments.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil production companies depend on the lengthy process of finding, extracting, transporting, and then selling oil before they can generate a profit. As a result, an oil production company carries a higher risk of profitability than an electric utility company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Only investors who are financially able to maintain their investment without a need for immediate liquidity should consider investing in illiquid investments.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms

of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

- **Regulatory/Legislative Developments Risk:** Regulators and/or legislators may promulgate rules or pass legislation that place restrictions on, add procedural hurdles to, affect the liquidity of, and/or alter the risk associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the performance associated with those investment transactions.
- **Public Health Risk:** Certain countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu, and, most recently, the coronavirus. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, have a negative impact on the economy and business activity in any of the countries in which advisory firms may invest, and thereby adversely affect the performance of client accounts.

Prior to entering into a relationship with the Firm, a prospective client should carefully consider:

1. Investing in securities involves risk of loss which the client should be prepared to bear;
2. Securities markets experience varying degrees of volatility, which can become extreme during periods of severe market decline;
3. The client's assets may fluctuate over time, and at any time those assets may be worth more or less than the amount invested; and
4. Clients should only commit assets that they feel are available for investment on a long-term basis (typically 2 to 5 years or longer).

## Disciplinary Information

The Firm, its owners, and its employees have not been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the Firm, its advisory business, or the integrity of its management.

## Other Financial Industry Activities and Affiliations

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### Broker-Dealer Registration

None of the Firm's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

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### Futures and Commodity Registration

None of the Firm's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.

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**Recommendation of Investment Advisors**

The Firm does not receive compensation directly or indirectly from other advisors that the Firm recommends to clients.

## **Code of Ethical Conduct, Participation or Interest in Client Transactions, and Personal Trading**

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**Code of Ethical Conduct**

The Firm has adopted a Code of Ethical Conduct, which sets forth high ethical standards of business conduct and requires of all owners and employees of the Firm to comply with all applicable federal and state securities laws. The Firm's personnel are required to conduct themselves with integrity at all times and follow the principles and policies outlined in the Code of Ethical Conduct.

The Firm believes that clients are owed the highest level of trust and fair dealing. Further, as part of its fiduciary duty, the Firm places the interests of clients ahead of itself and personnel.

The Firm's Code of Ethical Conduct attempts to address specific conflicts of interest that either have been identified or that could likely arise. In general, all owners and employees of the Firm must avoid: (i) investment activities and practices that may work to the detriment of clients; and (ii) any other activity that could impair owners' and/or employees' ability to act in an objective and unbiased manner for clients.

All employees of the Firm are required to provide reporting on their personal securities transactions and holdings throughout the year. This reporting is reviewed by the CCO or his or her designee to ensure compliance with the Code of Ethical Conduct.

A copy of the Firm's Code of Ethical Conduct is available to any client or prospective client upon request.

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**Participation or Interest in Client Transactions**

The Firm does not purchase any securities or investments for its own account. Also, as a matter of practice, the Firm does not recommend individual stocks to clients for either sale or purchase. In general, the Firm recommends that clients invest in open-end mutual funds or broad index-based exchange-traded funds (ETFs) for their equity exposure.

Owners and employees of the Firm may buy, sell, or hold positions in securities that they recommend to clients. As indicated above, the CCO or his or her designee reviews the personal trading activity of all employees to ensure the Firm meets its fiduciary responsibilities to clients. In the event of a conflict of interest, such as a limited number of investment slots, clients are given preference over the Firm's owners and employees.

Any such investments made by the Firm's owners and employees are made on the same terms as the Firm's clients with the exception of private investment vehicles. In the event that one or more Firm client(s) invests in a private investment vehicle recommended by the Firm, the general partner or manager of the private investment vehicle may permit owners or employees to invest

personal capital in the private investment vehicle on or about the same time as the Firm client(s) in an amount that is less than the stated minimum investment amount that the Firm client(s) are required to make. Exceptions to the stated minimum investment typically only occur when the stated minimum investment is in excess of \$100,000.

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### **Personal Trading**

The Firm has established the following personal trading restrictions in order to ensure its fiduciary responsibility to clients:

- 1) No owner, employee, family member of an owner or employee, or other related person of the foregoing shall buy or sell securities for his or her personal portfolio(s) based upon material non-public information.
- 2) The Firm requires its owners and employees to preclear certain securities transactions with its Chief Compliance Officer; including, but not limited to securities issued in an IPO, securities listed in a limited offering, and securities transactions that may create a conflict of interest. Further, no owner or employee shall transact in securities of companies listed on the Firm's Restricted Securities List without pre-clearance from the Chief Compliance Officer. The Restricted Securities List is a listing of companies maintained by the Firm that is accessible to the Firm's personnel. The Chief Compliance Officer will place a company on the Restricted List if the Firm or its personnel have access to any material non-public information about the company or if a conflict of interest exists with respect to such company.
- 3) All owners and employees report their respective securities transactions on a quarterly basis and their securities holdings on an annual basis to the Chief Compliance Officer through the Firm's compliance reporting system. The Chief Compliance Officer of the Firm or his designee reviews all reported securities transactions and holdings to ensure compliance with the above policies.
- 4) Any individual not in observance of the above personal trading policies may be subject to appropriate disciplinary action, up to and including termination.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Clients may utilize the broker-dealer or custodian of their choice. The Firm does not require clients to utilize any particular broker-dealer or custodian.

Clients will often request recommendations from Advisors as to potential brokerage firms for purchasing or selling securities. Advisors will generally recommend brokerage firms and/or brokers known to them for the client's consideration.

Brokerage firm recommendations are based upon such factors as the brokerage firm's general reputation and proven integrity, the quality of prior service provided to clients or others known to the Firm, the brokerage firm's financial strength and conservatism, the estimated cost and convenience to the client, and/or the brokerage firm's special expertise in a particular area.

Most often, the Firm will recommend either of the following nationally recognized discount broker-dealers, which also offer custody, record keeping, and reporting services:

- Charles Schwab Institutional, a division of Charles Schwab & Co. ("Schwab")
- Fidelity Family Office Services ("Fidelity")

The Firm endeavors to recommend brokerage firms that it believes are in a position to offer clients the best array of services appropriate for their situation at a reasonable and competitive cost.

Schwab and Fidelity do not typically charge Firm clients separately for custody but rather are compensated by Firm clients through transaction-related fees for securities trades that are executed through or settle into client accounts. While these transaction fees may be higher or lower than those charged by other broker-dealers, in general the transaction fees charged by the institutional groups at Schwab and Fidelity (that cater to independent financial advisors) are discounted rates that are typically lower than the rates available to the general public. The Firm does not share in any transaction fees or commissions charged by clients' broker-dealers or custodians.

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### **Soft Dollar Benefits**

The Firm does not participate in any formal soft dollar or commission sharing arrangements.

The Firm derives operational efficiencies and certain economic benefits from clients' choice of these broker-dealers. Specifically, Schwab and Fidelity each make available to the Firm products and services that are used to provide services to all or a substantial number of clients' accounts, including accounts not maintained at Schwab and Fidelity, such as the following:

- access to client accounts, statements, confirmations, and tax reports;
- facilitate execution of authorized transactions;
- recordkeeping and client reporting;
- quotes, pricing, and other market data;
- access to back-office support personnel exclusively for investment advisor clients;
- access to "institutional" mutual funds that are otherwise generally available only to institutional investors, or would require a significantly higher minimum initial investment; and,
- facilitate payment of the Firm's fees from client accounts, subject to client authorization.

Schwab and Fidelity may also give the Firm discounts on portfolio accounting and performance reporting software, which may or may not benefit the Firm's clients directly. In addition, Schwab and Fidelity each make available to the Firm various other services intended to help the Firm manage and further develop its business enterprise. These services have included technological support as well as training webinars and presentations regarding such topics as practice management, investment recommendations, and regulatory compliance.

Further, Schwab and Fidelity may make available, arrange, and/or pay for these types of services to be rendered by independent third parties to the Firm. Schwab and Fidelity 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.

The Firm, as a fiduciary, endeavors to act in its clients' best interests. That said, the Firm's recommendation (or suggestion) that clients maintain their assets in accounts at Schwab or Fidelity may be based in part on the benefit to the Firm of the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab or Fidelity. Thus, the recommendation (or suggestion) creates a potential conflict of interest.

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### **Directed Brokerage**

Clients may choose their own broker-dealer or custodian and are free to direct their investment transactions to the brokerage firm or broker of their choice. Clients may request directed brokerage for trades affected in their accounts. Directed brokerage is an arrangement in which a client requests that trades are handled through a specific broker. Those clients that direct brokerage could potentially be charged higher commissions and/or fees than the negotiated fees and discounted commissions the Firm has established with other broker-dealers or custodians.

## **Review of Accounts**

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### **Periodic Reviews**

Advisors perform periodic reviews of the financial situation of the clients whom they serve. The frequency and nature of the financial review varies from client to client and is generally driven by the scope of the engagement, client circumstances, changes in the client's financial situation, and the assets and investments currently held or proposed.

Accounts are reviewed in a sequence determined at the discretion of the Advisor in collaboration with executive management. For full scope engagements, all matters relevant to the client's individual financial situation at the time of the review are taken into consideration.

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### **Review Triggers**

Factors that may trigger a review, other than a periodic review, include: extraordinary events (e.g., severe market turbulence), changes in the tax laws, or major investment developments. Significant changes in a client's financial situation and/or objectives may also trigger a review.

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### **Regular Reports**

Clients are regularly provided oral and/or written reviews of their overall financial situation, including their investments. With the exception of limited scope engagements, all clients have at least one annual meeting and review, but most clients will have two to four reviews/meetings per year with the appropriate Advisor.



## Client Referrals and Other Compensation

### Incoming Referrals

Over the years, referrals from existing clients and other service professionals (e.g., CPAs and estate planning attorneys) have been the Firm's primary source of new clients. The Firm will not compensate any person for making referrals, other than current employees of our Firm.

### Referrals Out

The Firm may make referrals to other service providers (CPAs, estate attorneys, private bankers, mortgage brokers, insurance brokers, etc.) when the need arises for a client and at such client's request. However, the Firm does not accept referral fees or other forms of fee-sharing or remuneration from these other professionals when a client (or prospective client) is referred to them.

### Other Compensation

The Firm receives an economic benefit from certain brokers in the form of the support products and services the brokers make available to the Firm. These products and services, how they benefit the Firm, and the related conflicts of interest are described above (see **Brokerage Practices**). The availability of these products and services is not based on the Firm giving particular investment advice, such as recommending the purchase of particular securities.

## Custody

The Firm does not maintain physical custody of client funds and/or securities. As described in **Brokerage Practices**, client assets are held at qualified custodians who provide account statements (at least quarterly) directly to clients at their addresses of record. However, the Firm may be deemed to have custody of a client's assets to the extent the client authorizes the Firm to instruct the client's custodian to deduct advisory fees directly from the client's account (see **Fees and Compensation**, above).

Further, it is anticipated that certain Advisors will serve as: (i) a co-trustee, special trustee, or successor trustee for trusts held by certain clients; and/or (ii) a manager for a limited liability company owned by certain clients. When such authority is granted to an employee of the Firm, the Firm will be deemed to have custody of client assets and will follow all applicable custody safeguard rules.

Clients may also request that the Firm act on their behalf in writing checks, authorizing wires, or moving money. In such cases, the Firm is deemed to have custody. All accounts are maintained at a qualified custodian, and controls are in place surrounding these processes to ensure compliance with all applicable requirements.

Clients are frequently provided net worth statements (i.e., personal balance sheets and asset allocation summaries) generated by the Firm. Such net worth statements contain values for the client's various assets, including approximations

of bank account balances provided by the client, as well as the value of land and other illiquid and hard-to-price assets (which do not appear on the client's brokerage statements) such as real estate and limited partnerships. The values used for real estate and limited partnership investments are either provided by the client or the general partner of the limited partnership in question.

Clients also receive account statements directly from their custodians and are urged: (i) to carefully review such account statements, and (ii) to compare such account statements to the net worth statements and performance report statements provided by the Firm.

## Investment Discretion

The Firm's services may be provided on a discretionary basis or on a non-discretionary basis. The Financial Counseling Agreement will specify whether the relationship is discretionary or non-discretionary.

## Voting Client Securities

Clients for whom the Firm provides discretionary services have the option of retaining authority to vote proxies or delegating that authority to the Firm. When a client retains proxy voting authority, the custodian of record sends all pertinent information, including the proxy voting ballot, directly to the client. Clients can contact their Advisor at any time to discuss thoughts on how the proxy should be voted.

When a client designates the Firm to vote proxies, the client must delegate proxy voting authority to the Firm in writing via their financial counseling agreement. In such cases, the Firm will vote in a manner consistent with its proxy voting policy. The Firm's policy is to always vote proxies in the best interest of its clients.

The Firm may engage a third-party proxy voting and research service to vote proxies in the best interest of clients.

If a proxy vote creates a material conflict, the conflict will be resolved prior to voting. In such situations, the Chief Compliance Officer is involved in mitigating conflicts and ensuring appropriate resolution and documentation.

Clients may obtain a copy of the proxy voting policy and/or records of how the Firm voted on behalf of the client's accounts by contacting the Chief Compliance Officer.

## Financial Information

The Firm does not require or accept prepayment of fees (of any amount) six months or more in advance. As a result, the Firm is not required to include a financial statement with this Brochure.

The Firm has never filed for bankruptcy and is not aware of any financial condition that is expected to impair its ability to meet contractual commitments to clients.