



# FIRST REPUBLIC INVESTMENT MANAGEMENT

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## FORM ADV Part 2A

First Republic Investment Management, Inc. ("FRIM")

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<https://www.firstrepublic.com/private-wealth-management/investment-management-services>

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This brochure provides information about the qualification and business practices of First Republic Investment Management, Inc. ("FRIM"). If you have any questions about the contents of this brochure, please contact us at the phone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about FRIM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

First Republic Investment Management, Inc. is a federally registered investment adviser with the SEC. Registration of an investment adviser does not imply a certain level of skill or training.

## Item 2 – Material Changes

The following updates have been made to the Form ADV Part 2A (“the Brochure”) since FRIM’s annual update on March 26, 2021.

### Item 4

- Addition of FRIM as a sub-advisor to a registered investment adviser
- Additional disclosure around foreign currency and negative interest rates in the Program
- Enhanced disclosure around alternative investments
- Addition of retirement plan rollover conflicts

### Item 5

- Enhanced disclosure around alternative investments
- Addition of sub-advisory fees
- Enhanced disclosure around fees and referrals from FRIM’s affiliate
- Updated disclosure regarding insurance activity

### Item 8

- Disclosure on environmental, social and governance strategies and risk

### Item 10

- Enhanced disclosure regarding conflicts around alternative investments
- Addition of disclosure around conflicts relating to sub-advisory service
- Enhanced disclosure around fees from FRIM’s affiliate
- Updated disclosure regarding insurance activity

### Item 13

- Updated trade error policy

### Item 17

- Updates to voting proxies and foreign securities

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## Item 4 - Advisory Business

First Republic Investment Management, Inc. (“FRIM”) was acquired by First Republic Bank (“FRB” or the “Bank”) in 1999. FRIM is a wholly owned subsidiary of FRB, a publicly held California state-chartered commercial bank which is listed on the NYSE (symbol FRC). First Republic Bank was founded in 1985.

### Investment Management Services

FRIM provides full-service personalized wealth management solutions for individuals, trusts, families, foundations, endowments, pensions, defined contribution plans, profit sharing plans, banks, for-profit and not-for-profit institutions and other business entities (each, a “Client”). FRIM assists Clients in formulating long-term wealth management strategies that are customized to meet their unique needs or circumstances. These services are typically provided in two stages, Initial Advisory Services and Ongoing Advisory Services (collectively, the “Advisory Services”), as set forth in the investment management agreement (“IMA”) entered into between FRIM and the Client:

*Initial Advisory Services:* The “Initial Advisory Services” include some or all of the following, as FRIM and Client determine to be appropriate: (i) evaluating Client’s existing holdings and non-liquid assets; (ii) understanding Client’s financial circumstances and establishing investment objectives with Client for the account; (iii) exercising discretion with respect to purchases and sales of equity, fixed income or other securities including but not limited to, selecting appropriate investment managers or investment funds for same; and (iv) if discretion is granted, implementing Client’s asset allocation through making appropriate arrangements with investment managers and purchasing interests in appropriate investment funds (if applicable). Once the Initial Advisory Services have largely been completed, Advisor will coordinate with Client and any of Client’s investment managers, custodians and/or advisers to effect the transfer of any monies or securities to the investment managers or investment funds and their respective custodians as necessary to implement Client’s investment objectives as established by Client and Advisor for the account(s). Clients can impose reasonable restrictions on investing in certain securities or types of securities subject to the approval of FRIM. FRIM does not provide legal, tax, or accounting advice. In limited circumstances, FRIM offers non-discretionary Advisory Services; in such cases, FRIM will not exercise discretion as described above but will instead make recommendations and proposals and act upon Client instructions.

*Ongoing Advisory Services:* FRIM provides certain “Ongoing Advisory Services,” which include some, but not necessarily all, of the following: (i) ongoing monitoring of Client’s portfolio including any of Client’s existing managers or funds that are not recommended by FRIM, but that Client has directed one of FRIM’s Investment Representatives (“Wealth Managers”) to keep as part of Client’s account(s); (ii) if discretion is granted, ongoing rebalancing of the Client’s portfolio; (iii) conducting portfolio reviews; (iv) providing performance reporting upon request; (v) adjusting any investment strategies and asset allocations used (if discretion has been granted) or recommended (if Client has elected only non-discretionary Advisory Services) as Client’s needs and goals change and are communicated to Client’s Wealth Manager; and (vi) working with Client to address Client’s investment objectives. Unless otherwise explicitly agreed to in writing by FRIM, it is not responsible for initial or ongoing due diligence on any investment manager, investment fund or asset that is not recommended by FRIM or on any of the account assets managed by them.

*Online Investment Management:* Separately, FRIM offers Eagle Invest, an online investment management service that offers an alternative version of FRIM’s advisory services as a wrap program. A Client’s Eagle Invest portfolio is determined based on information provided by the Client at the point of enrollment, and as updates to that information are provided from time to time by the Client. More details about the wrap program

can be found in the Eagle Invest Wrap Program Brochure.

### **Private Funds**

FRIM provides investment management services to private pooled investment vehicles that are not registered under the Investment Company Act of 1940 and whose interests are not publicly offered under the Securities Act of 1933 (Eagle Alternative Investments Fund(s), which include the Altair Funds). The Eagle Alternative Investments Funds are typically structured as funds-of-funds or as access vehicles to underlying funds or portfolios managed by third-party investment advisers (“Private Funds”). When appropriate and suitable, FRIM recommends to Clients that they invest in one or more Eagle Alternative Investments Funds and, in certain instances, directly into certain Private Funds (including on occasion a private pooled syndication investment) that are not advised by FRIM. FRIM will, from time to time and as appropriate, solicit clients to invest in such vehicles, and FRIM will decide which clients to approach for some or all of these investments, in its own discretion. Not all clients will be offered the opportunity to invest, and not all clients offered that opportunity will choose to invest. Similarly, not all Wealth Managers are eligible to place clients into all Eagle Alternative Investments Funds and Private Funds. FRIM (not investors/Clients or Wealth Managers) has full discretion with respect to the Eagle Alternative Investments Funds’ investments in/subscriptions to underlying third-party Private Funds. Clients who invest directly in an underlying Private Fund that is not advised by FRIM will have terms (e.g., management fees) that differ from those of Clients who invest in an Eagle Alternative Investments Fund that, in turn, invests in that unaffiliated Private Fund. All relevant information pertaining to private fund recommendations, including the compensation received by FRIM or an affiliate (as applicable) and by the third-party investment adviser, other fees and expenses paid by the respective funds, withdrawal rights, minimum investments, qualification requirements, suitability, risk factors and potential conflicts of interest is set forth in the respective fund’s disclosure documents, governing documents, subscription applications, and other offering materials pertaining to such interest (collectively the “Offering Documents”). Each investor is required to receive, review and execute (as applicable) the Offering Documents prior to being accepted as an investor in any of these respective funds.

On occasion, FRIM advises private funds that make investments in the same Private Funds as other Eagle Alternative Investment Funds. In the event that such Private Funds have limited capacity such that two or more Eagle Alternative Investments Funds cannot both participate fully, FRIM will allocate the capacity among the Eagle Alternative Investments Funds in a manner that is fair and reasonable over time. To this end, FRIM has established an Eagle Alternatives Platform Allocation Committee to review allocation of certain Private Funds with limited capacity that are eligible for investment across more than one Eagle Alternative Investments Funds.

Certain Eagle Alternative Investments Funds are offered through iCapital Network’s technology platform, pursuant to a written agreement. These funds generally contain in their legal names, and are known as, Eagle “Access Funds.”

### **Public Mutual Fund**

FRIM serves as the investment adviser to a public mutual fund, the FRC Founders Index Fund (the “FRC Founders Fund”). The FRC Founders Fund is a passively managed fund intended to track the performance, before fees and expenses, of the First Republic Founders Index<sup>SM</sup> established by FRIM but administered by a third party. FRIM has discretion to recommend that certain of its clients invest in the FRC Founders Fund. That recommendation would represent a conflict of interest for FRIM because the FRC Founders Fund pays FRIM a management fee. In order to avoid duplicative management fees payable to FRIM on the same assets (the separate account advisory fee and the mutual fund management fee), FRIM will either waive the management fee for the fund or reduce the account advisory fee paid by FRIM clients (by rebate,

credit or otherwise) by the amount of any such management fee in order to mitigate that conflict of interest. In certain cases additional documentation is needed for a client to invest in the FRC Founders Fund, such as with respect to certain retirement accounts. Although the FRC Founders Fund has as an investment policy that it will not invest directly in securities issued by FRB, it has discretion to invest in ETFs, including in ETFs that invest in securities issued by FRB. Such an investment would represent a conflict of interest for FRIM because it could have the indirect effect of providing increased demand for securities issued by FRB.

## **Financial Planning Services**

FRIM offers financial planning services to high net worth and ultra-high net worth clients. Financial planning services generally involve a comprehensive review of the client's goals and objectives, liquid and illiquid investment holdings, asset allocation, retirement plan, equity compensation, estate plan, generational planning structures, insurance, and philanthropic plan, as applicable. Financial planning services sometimes also include consulting services to business owners regarding issues they encounter. As part of FRIM's broader financial planning services, the firm often proposes suggestions for the client's life, disability and long-term care insurance needs. Please refer to Conflicts Related to Affiliations and Affiliated Activities in Item 10 below for further information.

## **Institutional Consulting and Management Services**

FRIM offers consulting and management services to defined contribution plans and defined benefit plans. FRIM's typical service offering includes consulting with and advising plan fiduciaries regarding the investment objectives, policies, constraints and risk tolerance of the plan, investment search and recommendation, performance reporting, employee education, advice regarding qualified default investment alternatives, service provider search, plan fiduciary meeting support and plan benchmarking.

FRIM also offers fiduciary and non-fiduciary consulting and management services, on a discretionary and non-discretionary basis, to endowments, foundations and other institutions. FRIM's typical service offering includes consultation and advice regarding asset allocation, the investment objectives, policies, constraints and risk tolerance of the institution, investment due diligence, performance reporting, financial planning and education.

## **Other Consulting Services**

### **Family Consulting**

FRIM provides services that focus on coordination and administration including but not limited to facilitating communication with various external advisers, coordinating discussions with a client's banker(s) and insurance providers(s), coordinating risk management reviews and liaising regularly with a client's external family office service provider(s). In addition FRIM provides family wealth consulting where FRIM will work directly with a client's beneficiaries and heirs to help them prepare for their individual roles related to managing the family's portfolio, family mission statements and family succession.

### **Family Wealth Resources and Family Engagement and Governance**

FRIM offers extensive resources to its ultra-high net worth clients. These services focus on the purpose and impact of wealth within a family and community. The resources FRIM provides include but are not limited to family governance, family dynamics, learning and development of the rising generation, leadership and transition planning, and philanthropic planning.

## **Independent Managers**

FRIM enters into sub-advisory agreements for separately managed accounts with other registered investment advisers, and Clients can choose to enter agreements directly with other registered investment advisers for separately managed accounts (“Independent Managers”). These Independent Managers are not affiliated with FRIM. They provide discretionary investment management services which incur additional fees as described in Item 5.

FRIM selects and recommends Independent Managers that it believes are appropriate for a Client’s needs and objectives. The Independent Managers buy and sell securities over time as they manage sub-advised accounts directly on a Client’s behalf. FRIM does not make individual security selection decisions for these accounts. FRIM monitors the investments in the accounts, but not to the degree that it does in accounts that it directly manages. FRIM reviews the Independent Managers’ investment returns and performs periodic due diligence on the Independent Managers. Not all Clients utilize Independent Managers.

### **Sponsor and Manager of Wrap Program**

FRIM is the sponsor and manager of a wrap fee program (the “Program”) which is offered to all clients who custody through FRIM’s affiliated broker-dealer, First Republic Securities Company (“FRSC”), at its clearing broker Pershing LLC (“Pershing”). The services and management provided in the Program are often identical to that provided through FRIM’s non-wrap service. A wrap fee program is an advisory program under which a specified fee or fees not based directly upon transactions in a client’s account (“Program Fee”) is charged for advisory services (including portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

Clients in the Program will incur additional charges imposed by third parties (including FRSC’s clearing broker), including but not limited to the costs of “trading away,” or by FRIM or its affiliates (including FRSC), in addition to the Program Fee. These charges include fees and expenses assessed by unaffiliated Independent Managers, fees and expenses imposed directly by a Private Fund (and the funds or managers in or with which a Private Fund invests), mutual fund or ETF in the account, which are disclosed in the fund’s private placement memorandum or prospectus, and deferred sales charges, odd-lot differentials, transfer taxes, margin fees and interest, wire transfer and electronic funds transfer fees and clearing fees and other fees, expenses and taxes on accounts and securities transactions. For Eagle Alternative Investment Funds offered through iCapital Network’s technology platform that are offered to investors on or after April 1, 2021, certain fees imposed directly by such funds, such as access, platform, or investor servicing fees, will be shared with FRIM or one of its affiliates, to the extent disclosed in such funds’ offering documents. FRIM or one of its affiliates also receives similar fees from certain pooled investment vehicles managed directly by FRIM, to the extent disclosed in such funds’ offering documents.

FRIM expects that Independent Managers will trade primarily through FRSC’s clearing broker, Pershing; however, in the event an Independent Manager “trades away” from Pershing, clients will bear the related costs. Clients will be responsible for commission costs incurred in connection with collateral yield enhancement strategies and other option overlay strategies. Mark-ups or mark-downs that are not charged as explicit brokerage commissions and that are payable to unaffiliated investment firms are not covered by the Program Fee and will be paid by Clients rather than by FRIM or Independent Managers. For accounts opened after August 1, 2020, FRSC imposes a 0.15% charge on the assets in each separately managed account managed by an Independent Manager where foreign local ordinaries comprise greater than 20% of the account’s assets, and this charge will be paid by Clients rather than by FRIM or Independent Managers. For clients who hold certain currency with negative interest rates in the Program, they will be charged interest on that currency by the clearing broker Pershing.

Investments through an advisory account into mutual funds, ETFs, Eagle Alternative Investment Funds, and

other third party investment managers, involve payment of two or more levels of fees: one to FRIM at the advisory account level and another to the third party investment manager. Depending on how the third party investment manager in turn invests, there have in the past and likely will in the future be additional levels of fees, which in the aggregate reduce net returns. The Program is not available for accounts that are not held in custody through FRSC at Pershing. Accounts not in the Program will be charged both advisory and transaction-based fees.

In evaluating the Program, clients should consider the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, the fact that the Program is only offered for accounts held in custody through FRIM-affiliate FRSC at Pershing, the fact that the Program still includes certain additional charges above and beyond the Program Fee, and other factors. The Program Fee will for some clients exceed the aggregate cost of such services if they were purchased separately. A complete description of the Program terms and conditions (including fees) is contained in the Wrap Fee Program Brochure.

### **Sub-Advisory Services**

FRIM has entered into an agreement with Spearhead Capital Advisors, LLC, a registered investment adviser that acts as investment manager for insurance companies, solely in respect of one or more separate investment accounts or sub-accounts, each of which is established by the applicable insurance company for the purpose of supporting benefits payable under a variable life insurance policy, variable annuity policy or other variable insurance policy characterized under Section 817(d) of the U.S. Internal Revenue Code of 1986, as amended (the "IRC"), as a "variable contract." FRIM acts as sub-advisor to the registered investment adviser, solely in respect of certain specified accounts or sub-accounts, with full power and authority to direct the investment of the account assets in accordance with the accounts' stated investment objectives and strategies. It is anticipated that FRIM will separately provide other advisory services to each owner of a variable contract with respect to which an account or sub-account is established.

### **Retirement Plan Rollover**

A Client or prospective Client leaving an employer has four options regarding an existing retirement plan (and can engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account, or (iv) cash out the account value (which could, depending upon client's age, result in adverse tax consequences). If FRIM recommends that a Client roll over their retirement plan assets into an account to be managed by FRIM, such a recommendation creates a conflict of interest if FRIM will earn a new (or increase its current) advisory fee as a result of the rollover. No Client is under any obligation to roll over retirement plan assets to an account managed by FRIM.

As of 12/31/2021 FRIM has \$1,467,140,526 in assets under advisement.

### **Assets under management as of 12/31/2021**

Discretionary	\$104,757,316,681
Non-discretionary	\$32,061,261,786
Grand Total	\$136,818,578,467

## **Item 5 - Fees and Compensation**



## Investment Management Fee

FRIM offers its advisory services on a fee basis, which can include an annual percentage rate charged on the total assets managed (i.e., not on a tiered basis), an annual fee charged on a percentage of the market value of the assets subject to the fee within incremental fee tiers or tranches (i.e., on a tiered or tranche basis), or a flat fee; it can also include an annual percentage rate charged on capital commitments or net invested capital, when there is an investment in a pooled investment vehicle. Fees will generally be charged on any accrued dividends and interest. For certain option accounts, FRIM's fee is charged on a percentage of the notional value of the assets. FRIM's annual fee is prorated and generally billed quarterly in advance, based upon the market value of the assets subject to the fee on the last business day of the previous quarter (or, in the absence of a then-current known market value, the last known market value). The annual fee varies depending upon the market value of the assets subject to the fee and the type of investment advisory services to be rendered. The fees are deducted from clients' assets or paid directly by the client. The fees for pooled investment vehicles are generally charged in arrears, based on the final net asset value at the end of each quarter, against the investor's capital account in the vehicle. At the end of 2020, a billing methodology was introduced for pooled investment vehicles which allowed for the billing of fees outside the vehicle and according to the terms of the investor's investment management agreement with FRIM.

### Standard Investment Management Fee Schedule

Equity/Balanced Portfolios	
Assets Under Management	Incremental Fee
First \$2 million	1.50%
\$2 - \$5 million	1.25%
\$5 - \$10 million	0.75%
\$10 - \$25 million	0.60%
\$25 million or greater	0.45%

Fixed Income Portfolios	
Assets Under Management	Total Fee <sup>(1)</sup>
< \$10 million	0.40%
\$10 - \$25 million	0.35%
\$25 million or greater	0.30%

(1) All fixed income assets are charged a fee based on total fixed income assets managed (not on a tiered basis).

### Cash Management Fee Schedule

Cash Management Portfolios		
Assets Under Management	Total Fee <sup>(1)</sup>	Total Fee <sup>(1)</sup> for U.S. Treasury Only
< \$10 million	0.20%	0.15%
\$10 - \$25 million	0.18%	0.13%
\$25 - \$50 million	0.15%	0.10%
\$50 - \$75 million	0.13%	0.08%
\$75 - \$100 million	0.10%	0.06%
\$100 million or greater	0.08%	0.05%

<sup>1</sup>All cash management assets are charged a fee based on total cash management assets managed (not on a tiered basis).

## **Nonprofits, Endowments, and Foundations Fee Schedule**

<b>Equity/Balanced Portfolios</b>	
<b>Assets Under Management</b>	<b>Incremental Fee</b>
\$1 - \$10 million	0.70%
\$10 - \$25 million	0.35%
\$25 - \$50 million	0.30%
\$50 - \$100 million	0.25%
\$100 million or greater	0.20%

<b>Fixed Income Portfolios</b>	
<b>Assets Under Management</b>	<b>Total Fee<sup>(1)</sup></b>
< \$10 million	0.30%
\$10 - \$25 million	0.25%
\$25 million or greater	0.20%

<sup>1</sup>All fixed income assets are charged a fee based on total fixed income assets managed (not on a tiered basis).

The standard fee schedule for FRIM's online investment management platform, Eagle Invest, is 0.40% of assets under management, subject to a minimum account size of \$5,000.

FRIM requires a \$7,500 annual fee minimum for its full-service separate account investment management services in order to provide sufficiently individualized advisory services. Under certain circumstances, FRIM has in the past and likely will in the future provide advisory services for less or more than the annual minimum. The annual advisory fee varies but will represent less than 3% of the assets under management. FRIM reserves the right to adjust or waive the minimum fee and to impose an initial set-up fee.

FRIM, in its sole discretion, can waive or negotiate lower or higher management fees with different clients based upon a variety of criteria (i.e., unique client circumstances and/or requirements, level and frequency of services desired and provided, anticipated future earning potential, anticipated future additional assets, dollar amount of assets to be managed, broader business relationship between client and FRB (the parent company of FRIM) or other FRIM affiliates, related accounts (including, if requested by Client and at FRIM's discretion, the "householding" of some or all accounts of a Client individually or with their spouse, siblings, parents, and/or children), account composition, pre-existing client, or account retention).

Investments through an advisory account into mutual funds, exchange traded funds ("ETFs"), private equity, credit, hedge, real estate funds or other pooled investment vehicles involves payment of two or more levels of investment management fees: one to the Adviser at the advisory account level, and another charged at the fund level to the manager of the investment fund with respect to its managers and service providers. If the investment fund in turn invests in other funds, there will be additional levels of fees, which in the aggregate reduce net returns.

Clients invested in private pooled investment vehicles (e.g., Eagle Alternative Investments Funds or Private Funds as described in greater detail below) that are managed by FRIM and/or a third-party investment manager ("Alternative Funds") will pay the fees and expenses as described in the applicable private placement memorandum or subscription document, which typically include a performance-based fee, investment profit allocation, or fees to service providers to or sponsors of the fund. For certain Eagle Alternative Investments Funds, a separate fee for management and administrative services is paid by the fund to the iCapital affiliate that acts as the general partner of the funds. With respect to certain Eagle Alternative Investments Funds, a portion of such fee equal to 0.20% per annum (i.e., 0.05% per quarter) (the "Platform Fee") is paid by the general partner to FRIM or one of its affiliates for management and

administrative services support relating to, among other things, eligibility and onboarding of limited partners in the fund, processing capital calls and distributions, administrator platform oversight, technology platform development and maintenance, investor and tax reporting, and transfer processing. Certain Alternative Funds will pay the Platform Fee directly to FRIM where iCapital is not associated with the fund. Any Platform Fees paid to FRIM are separate from, and in addition to, the management fee charged to the Client by FRIM as described below. The Platform Fee can be waived at FRIM's discretion.

For Alternative Funds managed by FRIM the management fee is charged to the Client based on one of two billing models. In the first billing model, pursuant to the Alternative Fund's private placement memorandum or subscription document, the FRIM management fees can be billed and paid outside of the Alternative Fund is based on (i) the Alternative Fund's reported valuation and (ii) a management fee rate as described in the Client's investment management agreement. Alternative Funds held by a Client in this model are counted toward "relationship AUM" for purposes of determining any breakpoints in the management fee rate. In the second billing model, the FRIM management fee is charged and paid within the Alternative Fund pursuant to the Alternative Fund's private placement memorandum or subscription document. At the discretion of FRIM, the management fee charged within the fund can either be reduced or waived or for certain other funds a portion could be rebated to the Client outside of the Alternative Fund by FRIM. The Alternative Fund assets can be counted towards "Relationship AUM" for purposes for determining any breakpoints in management fee rate.

In calculating the management fee, FRIM relies on the asset valuations provided by the relevant fund's custodian, third party administrators, investment managers, underlying fund managers, and/or other agents of the fund. FRIM uses the most recently reported valuation at FRIM's customary time of billing (the "Billing Date"). Reported valuations for alternative investments typically lag other asset valuations and the last available values will most likely differ from the finalized values effective as of the Billing Date. While FRIM relies on these third party valuations and does not verify their accuracy, if such valuations are unavailable or FRIM otherwise believes them to be incomplete or unreliable, FRIM reserves the right to pursue alternative valuation methodologies. In the case of private equity funds where there are multiple closings, an "equalization" methodology can be utilized, in the sole and absolute discretion of FRIM, in order to "equalize" the management fees of earlier and later close participants so that earlier close investors are fairly compensated for the management fees they paid for portfolio investments from which later close investors derive benefits.

In the first billing model described above, subscriptions, redemptions, capital calls and distributions during the current billing cycle are factored into billing for the subsequent billing cycle. An example is included below:

<b>Eagle Alternative Investment AUM and Transactions</b>	<b>Amount</b>	<b>Notes</b>
A Client's AUM in Eagle Alternative Investment Funds as of Prior Quarter-End	\$5,000,000	This AUM is used to assess the Eagle Alternative Investment Fund portion of the investment management fees for the current quarter.
Capital Calls and Subscriptions during the Current Quarter	\$20,000	
Redemptions and Distributions during the Current Quarter	-\$10,000	
A Client's AUM in Eagle Alternative Investment Funds as of Current Quarter-End*	\$5,010,000	This AUM is used to assess the Eagle Alternative Investment Fund portion of the investment management fees for the next quarter.

\* Assuming there are no other changes impacting the AUM of Eagle Alternative Investment Funds (valuation changes, etc.).

Further information regarding performance-based fees and investment profit allocations can be found in Item

6 below. In addition, information regarding redemption rights and termination of an investment in an Alternative Fund can be found in its private placement memorandum.

Upon termination of the advisory services provided by FRIM (by either the Client or FRIM), FRIM's management fees for Alternative Funds would be charged by the Alternative Fund in accordance with the private placement memorandum and/or subscription document (typically 1.00% and therefore, usually higher than the blended management fee rate described in the Client's investment management agreement).

Some SEC-registered mutual funds, or some share classes thereof, or their affiliates pay and/or have paid Rule 12b-1 (marketing and distribution), revenue-sharing, service or administrative fees to FRIM's affiliate that sells fund shares or provides services to a fund's shareholders. Rule 12b-1, service and administrative fees typically are deducted out of fund assets at the fund level and reduce a shareholder's returns. Revenue-sharing payments typically are paid by a fund affiliate out of the fund adviser's management fee. In an effort to reduce client costs and minimize the conflicts of interest presented by Rule 12b-1 fees and revenue-sharing payments: (1) as of July 1, 2018, FRSC will for all advisory account clients on a going-forward basis, credit Rule 12b-1 fees it receives to the advisory clients' account(s), except for money market mutual funds for which FRSC's clearing broker is unable to credit the Rule 12b-1 fees to client accounts, (2) as of July 1, 2018, FRIM's affiliate will for all advisory client accounts credit service and administrative fees received from mutual funds that do not also make revenue-sharing payments to the advisory client account(s), and (3) as of October 1, 2020, FRIM's affiliate no longer receives any revenue-sharing payments from mutual funds in advisory client account(s), except for money market mutual funds for which FRSC's clearing broker is unable to credit the revenue-sharing payments to client accounts. These money market mutual funds, which are accessed by a cash balance "sweep," are described in more detail below, along with the associated conflicts of interest. Any credits to advisory client account(s) will be subject to the advisory fee if they remain in a client account at the time of billing.

FRSC receives a periodic, flat, per-account fee from Pershing, for each active FRSC account introduced to Pershing, including FRIM advisory accounts custodied at Pershing through FRIM's affiliate FRSC. This per-account fee creates a conflict of interest because, although FRIM permits clients to choose among multiple custodians, the fee is only paid if the client chooses to custody advisory accounts at FRIM's affiliate FRSC rather than at other possible custodians. The revenue to FRSC from this per-account fee is not shared with FRIM or with any individual financial professionals at FRSC or FRIM.

FRSC receives a quarterly contingent cash incentive ("CCI") for net new assets custodied at Pershing by FRSC, including FRIM advisory accounts. This CCI creates a conflict of interest because, although FRIM permits clients to choose among multiple custodians, the fee is only paid if the client chooses to custody advisory accounts at FRIM's affiliate FRSC rather than at other possible custodians. The revenue to FRSC from this CCI is not shared with FRIM or with any individual financial professionals at FRIM or FRSC.

FRSC has entered into referral agreements, thus receiving referral fees, with various unaffiliated entities. Wealth Managers who refer clients into these entities will also receive a portion of the fees received by FRSC. This creates a conflict of interest as Wealth Managers have an incentive to refer clients into these unaffiliated services. FRIM addresses this conflict of interest through disclosure in this brochure and disclosure at the time the client signs the engagement letter.

FRIM selects the lowest-cost share class of a mutual fund for which each of its clients is eligible at such client's custodian and that is available at such custodian, based on the total expense ratio shown in the fund's prospectus and without factoring in any rebates (except that money market mutual funds accessed via cash balance "sweep" are treated differently, as described below). Certain mutual funds have lower-cost share classes which are not available for investment by all of FRIM's clients because FRIM is not able to access them at each client's custodian.

FRIM and its affiliates do not receive any Rule 12b-1 fees or revenue sharing fees from FRC Founders Fund for investments in the Fund by FRIM managed client accounts. Additionally, FRIM's clients are not charged any sales commission on the purchase of shares of the FRC Founders Fund.

All non-investment management fees and expenses as well as all investment management fees charged by investment managers other than FRIM are the client's responsibility and are not covered by FRIM's advisory fees above. These fees and expenses include, among other things, commissions, fees and all other costs associated with the client's account or with the purchase or sale of securities, mutual funds, investment funds or other investment instruments, including wire transfer fees, custodian fees, access fees, platform fees, investor servicing fees, interest, taxes and other expenses associated with a client's account.

A portion of the fees payable to FRIM is allocated on an ongoing basis to a Client's Wealth Manager(s), and the percentage credited to a Wealth Manager has in the past and likely will in the future be higher for accounts that are self-sourced than for accounts that are referred internally to them. The amount allocated to a Client's Wealth Manager can be more than if the Client participated in other FRIM investment advisory programs, such as Eagle Invest, or in an FRSC commission-based brokerage account. The Wealth Manager has a financial incentive to recommend full-service advisory services instead of other FRIM programs and services or FRIM-affiliate programs or services. A Wealth Manager has discretion to charge a fee lower or higher than the fee in the standard investment management fee schedule above. The fee a Client pays is a factor used to calculate the compensation to the Wealth Manager. Therefore, the Wealth Manager has a financial incentive not to reduce fees. A Wealth Manager receives less than the standard payout when discounting too far below the standard fee schedule. This creates a financial incentive for Wealth Managers to price at or above those levels. FRIM reserves the right, and without prior notice, to change the methods by which it compensates the Wealth Managers and employees, including reducing or denying any production payout for any reason.

### **ERISA Accounts**

If the client account is subject to Title I of ERISA or Section 4975 of the IRC, in the event account assets are invested in any investment vehicle in respect of which 12b-1 fees or any other fees or amounts are payable to FRIM (or any of its affiliates), the pro-rata share of such 12b-1 and other fees attributable to the account's investment shall be either credited to the account or offset, dollar for dollar, against the fees payable.

### **Wrap Fee Program**

For detailed information regarding the Program, including the fee schedule, terms and other important considerations, clients should refer to the Program's disclosure document (Form ADV, Part 2A Appendix 1).

### **Financial Planning; Institutional Consulting; Other Consulting**

FRIM typically charges a fixed fee for financial planning, consulting, family wealth, and family engagement and governance services. These fees are negotiable depending upon the level and scope of the services as pre-determined by the professional rendering the services. Amounts billed are typically payable before any work can begin. In the event the agreement is terminated prior to the delivery of the plan, the client can request a refund. FRIM retains the right to deny the request or reduce the amount of the refund to offset the time and expenses attributable to the work that has already been performed by the professional rendering the services. FRIM can, at its discretion, waive all or a portion of these fees. A fee credit can be applied if clients agree to maintain certain deposit levels at FRB or asset levels at FRIM, and such arrangements can create other sources of potential revenue for FRB or FRIM.

## **Insurance Commissions**

FRIM is also an insurance agency, DBA Eagle Private Insurance Services, licensed to conduct insurance activity in certain states. No new insurance business is conducted with FRIM as the insurance agency of record, however, FRIM and its former supervised employees, now agents of FRSC, have in the past and likely will in the future receive certain renewal or other “trail” compensation for historical policy sales. Certain affiliates of FRIM, including FRSC, are licensed as insurance agencies, and supervised persons and related sales personnel receive compensation on insurance product sales, as discussed below in Items 10 and 14.

## **Fees Charged by Other Financial Institutions**

FRIM permits clients to utilize the brokerage services of FRSC (an affiliate of FRIM), Charles Schwab & Co., Inc. (“Schwab”), TD Ameritrade, or National Financial Services LLC (“Fidelity”) for investment management accounts. Financial institutions utilized include, but are not limited to FRSC, introducing broker-dealer clearing through Pershing LLC on a fully disclosed basis, Schwab, TD Ameritrade, Fidelity, any other broker-dealer permitted by FRIM, any broker-dealer directed by the client, trust companies, banks, etc., and are collectively referred to herein as the “Financial Institutions.” For additional information regarding brokerage and other transaction costs, please refer to Item 12 (“Brokerage Practices”) of this Brochure.

Clients will often incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers, those managers not affiliated with FRIM that FRIM engages to provide discretionary investment management services, 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, certain “trading away” fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients will incur brokerage commissions and transaction fees. Such charges, fees and commissions are in addition to FRIM fees.

FRSC also marks up the following fees imposed by the clearing broker: inactivity fees, reorganization fees, safekeeping fees, cash interest due and fees for extension of margin. As of December 31, these FRSC mark-ups totaled approximately \$157,733 for 2021. The fact that FRSC charges mark-ups on these account fees creates a conflict of interest on behalf of FRIM, because those fees constitute additional revenue to an affiliate of FRIM. FRSC’s account fees change over time but a current schedule of FRSC’s account fees is available at <https://www.firstrepublic.com/frsc-schedule-of-fees>.

FRIM’s IMA and the separate agreement entered into by the Client with any Financial Institutions have in the past and likely will in the future authorize FRIM or Independent Managers and investment funds recommended by FRIM or selected by client, to debit the client’s account for the amount of FRIM’s fee and/or the Independent Manager’s fee to directly remit that management fee to FRIM or the Independent Managers, respectively.

This Brochure is provided to FRIM clients (not custodied at FRSC) who pay a bundled asset-based fee for investment advice and custodial services and have in the past and likely will in the future pay separately for commissions and other brokerage costs at the discretion of their custodian. These clients do not pay a wrap fee to FRIM, and therefore do not receive a brochure for FRIM’s wrap fee program, because they do not pay a single asset-based (or “wrap”) fee to FRIM for investment advice, brokerage and custody.

## **Sub-Advisory Fees**

FRIM will receive fees for its sub-advisory services to Spearhead Capital Advisors, LLC, described in Item 4, payable from the assets of each investment account or sub-account with respect to which FRIM acts as a sub-advisor. Fees are negotiable depending upon the needs of the client and complexity of the situation and will be set forth in a fee schedule for the applicable accounts or sub-accounts.

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

For the initial period of investment management services, advisory fees are calculated on a pro rata basis. The IMA between FRIM and the Client will continue in effect until terminated pursuant to the terms of the IMA. For any quarter in which the IMA is terminated, FRIM's fees are prorated and any remaining balance is charged or refunded to the Client, as appropriate.

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. Clients can withdraw account assets upon notice to FRIM, subject to the usual and customary securities settlement procedures. However, FRIM designs its portfolios as long-term investments and the withdrawal of assets will often impair the achievement of a client's investment objectives. FRIM's advisory fees remain in effect unless a client is notified of any change in accordance with the terms of their IMA. Fees for investment management services are based on the amount of assets managed (generally including any accrued dividends and interest) and are normally paid quarterly in advance based on the current market value of the assets at the end of the preceding quarter, however, a number of clients are billed in arrears as agreed. Fees for certain existing clients differ from the fees discussed herein based on the fee schedules in effect at the time they became clients and/or negotiations between FRIM and the Client. Related accounts have in the past and likely will in the future be combined in order to reduce the fee charged. The client's funds and securities will typically be deposited in either a brokerage firm or bank custodian account. Clients can terminate an IMA upon formal notice to FRIM. In the event the relationship is terminated prior to quarter-end, the client will receive a pro-rated refund, calculated in accordance with terms of the IMA.

## **Recruitment of Advisors**

Consistent with industry practice, FRIM from time to time recruits Wealth Managers and other employees to join FRIM and has in the past and likely will in the future enter into significant compensation arrangements with these employees to facilitate their transition to FRIM. The amount paid to the Wealth Manager is largely based on the assets under management and revenue those assets generate at the Wealth Manager's prior firm and the Wealth Manager achieving a minimum percentage of production and asset levels within a specific time after joining FRIM. Such compensation can take different forms, such as promissory notes and special and transition bonuses, and other forms of compensation, and has in the past and likely will in the future be contingent upon the Wealth Manager satisfying certain performance-based criteria including total client assets serviced and revenue generated from those assets. These compensation arrangements create an incentive for Wealth Managers to maximize the revenue they generate from FRIM client accounts. Even if the fees a Client pays remains the same or are less than the fees paid at the prior firm, the transfer of the Client's assets to FRIM contributes to the Wealth Manager's ability to meet production targets and to receive additional compensation. This practice creates an incentive and conflict of interest for the Wealth Manager to recommend the transfer of account(s) to FRIM since a significant part of the Wealth Manager's compensation is contingent on achieving the pre-determined revenue or asset targets at FRIM. Clients should consider if the Wealth Manager's advice is aligned with the Client's investment strategy and goals.

## **Systems**

The performance reporting system FRIM uses to generate performance reports relies on security prices provided by each account's custodian, while the billing system FRIM uses to generate account statements relies on security prices provided by Pershing (the clearing broker-dealer utilized by FRSC) to the extent available, with the result that performance reports and account statements have in the past and likely will in the future have inconsistencies in the numbers stated therein. Each system also relies on a different third-party data source for corporate action announcements, causing the same result.

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

Although FRIM does not generally charge performance-based fees or investment profit allocations (e.g., "carried interest") on client accounts, in certain instances, it receives such fees with respect to the Eagle Alternative Investments Funds.

FRIM advises several Eagle Alternative Investments Funds that charge a performance-based fee or investment profit allocation. These funds were acquired in separate transactions, and the original fee structure was maintained as part of the acquisition. FRIM receives a performance-based fee with respect to a fund that is structured as a hedge fund-of-funds. The performance-based fee is non-cumulative, is calculated based on a percentage of unrealized and realized gains of the fund, and is only paid if a certain hurdle rate is achieved. This fund is closed to new investors, but existing investors are permitted to invest additional capital. Also, investors in an Eagle Alternative Investment hedge fund pay a performance-based fee. The performance-based fee is calculated annually based on a percentage of the appreciation in each investor's capital account, subject to a high water mark. This fund is closed to new investors and is in the process of liquidating.

Although FRIM generally does not charge performance-based fees for the Eagle Alternative Investments Funds that are a fund-of-funds structure (other than those identified above), unaffiliated managers of the underlying Private Funds invested in by the Eagle Alternative Investments Funds will often charge performance-based fees. Such performance-based fees are in addition to advisory fees charged by the underlying Private Fund manager as well as FRIM, and they are also in addition to the expenses as agreed to in the relevant fund's Offering Documents for both the Eagle Alternative Investments Funds and the underlying funds.

Clients should be aware that performance-based fees create a conflict of interest because they give FRIM a financial incentive to achieve gains and to choose investments that are riskier or more speculative than might otherwise be chosen. Also, performance-based fee arrangements present a conflict of interest with respect to other client accounts that are not subject to performance-based fee arrangements because such arrangements give FRIM an incentive to favor client accounts subject to performance-based fees over client accounts that are not subject to performance-based fees by, for example, allocating our best investment ideas to accounts from which FRIM stands to earn additional compensation should the account perform well.

FRIM will only charge performance-based fees or carried interest in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act") and/or applicable state regulations. FRIM's policies and procedures seek to provide that investment decisions are made in the best interests of clients and without consideration of FRIM's (or such personnel's) pecuniary investment or other financial interests. Further, potential conflicts of interest in relation to side-by-side management are largely mitigated due to the fact that the Eagle Alternative Investments Funds typically do not charge performance-based fees and due to the structure of the Eagle Alternative Investments Funds (as "funds of funds"). In a fund of funds structure, the Eagle Alternative Investment Funds invest in the interests of other Private Fund(s) that are generally not traded or available for investment for other client accounts. In a situation where interests in an



underlying Private Fund are available (and suitable) for investment by both an Eagle Alternative Investments Fund and one or more FRIM clients, but the fund has capacity constraints, FRIM will seek to allocate the interests in a fair manner.

## **Item 7 - Types of Clients**

FRIM generally provides investment advice to: individuals, families, trusts (including estates or charitable foundations), pensions, defined contribution plans, profit sharing plans, banks, for-profit and not-for-profit institutions and other business entities as well as the Eagle Alternative Investment Funds.

FRIM requires a \$7,500 annual fee minimum for investment advisory services, as described above in Item 5 (excluding relationships invested 100% in Eagle Alternative Investment Funds). Under certain circumstances, FRIM has in the past and likely will in the future provide advisory services for less or more than the annual minimum. The annual fee varies, but will represent less than 3% of the assets under management. FRIM reserves the right to adjust or waive the minimum fee and to impose an initial set-up fee.

FRIM also provides online investment management through Eagle Invest which is not subject to the annual fee requirement but is subject to a minimum account size of \$5,000.

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

The investment strategies FRIM recommends to clients are based upon a comprehensive review and assessment of each client's investment objectives, financial situation, investment time horizon, risk tolerance level, taxable status, and cash flow requirements, as identified during consultations with FRIM's Wealth Managers and other representatives. This Item 8 describes various methods of analysis and investment strategies, as well as the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. FRIM recommends and offers a broad array of investment strategies, which will vary based on the Wealth Manager providing advice to each client. As Wealth Managers have discretion in managing client accounts, performance within the same investment objective will vary based on the individual Wealth Manager providing the advice to the client.

While FRIM seeks to manage portfolios so that risks are managed, it is often not possible to fully identify and mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients and other investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Clients and other investors should read carefully all applicable informational materials and offering/governing documents, including Offering Memorandum documents and prospectuses prior to retaining FRIM to manage an account or investing in any investment product. Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

Clients and other investors should be aware that while FRIM does not limit its advice to particular types of investments, client mandates can be limited to certain types of securities or to the recommendation of investment advisers and runs the risk of not being diversified. Unless stated in the client's Investment Policy Statement, the accounts managed by FRIM are generally not intended to provide a complete investment program for a client or investor. Clients and other investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

FRIM's primary investment strategies are described below. FRIM has in the past and likely will in the future offer additional strategies or variations of the strategies described.

### **Analysis and Investment Strategies**

FRIM provides numerous investment management styles and strategies across various asset classes, including but not limited to fixed income, publicly traded equities and private securities. FRIM equity strategies span various market value capitalization levels and multiple geographical regions. FRIM fixed income strategies expand across a broad range of offerings reflecting multiple combinations of geographical exposures, tenors and credit ratings. In addition, FRIM strategies are often implemented via multiple types of vehicles or a combination of vehicles that could include individual holdings, mutual funds, ETFs or private funds. FRIM has in the past and likely will in the future develop and manage investment mandates and products involving multiple strategies, asset allocation strategies and goal-based liability driven investments for those mandates. Multi-asset strategies have in the past and likely will in the future utilize a wide variety of asset classes and/or investment styles, and employ a variety of techniques and investment vehicles, including Fund of Funds that invest in hedge funds (including commodity pools), private equities, ETFs and mutual funds or other categories of funds, equities, bonds, cash, alternative investments and derivatives.

FRIM utilizes multiple investment strategies to meet the investment objectives of each client. These methodologies are formulated based on a comprehensive review and assessment of current and future investment objectives, investment time horizon, risk tolerance level and cash flow requirements for each client.

It is important to note that it is not possible to identify all of the risks associated with investing. The nature of the account, the investment strategy or strategies and the types of securities held all impact the risks applicable to a particular client.

Across the strategies described below, FRIM offers various investment options for investors seeking opportunities that are conscious of Environmental, Social and Governance ("ESG") factors. FRIM aims to invest in high-quality investments exhibiting both strong fundamentals and strong ESG characteristics over a long-time horizon alongside other traditional material risk-return factors of the investment management process. FRIM incorporates ESG risks and opportunities into its analysis because FRIM believes it contributes to a more holistic view of companies, their risk/reward profiles, and the overall long term investment performance.

ESG factors can include but are not limited to:

- (1) Environmental considers a corporation's carbon footprint, or rather, how a company uses natural resources and impacts the environment. It includes a company's direct emissions, impact from operations, as well as activities across their supply chains. Environmental factors can vary by industry and can also include water scarcity, waste production or disposal, in addition to a corporation's carbon footprint. These are evaluated for the risk and direct financial impact on a company's competitive positioning.
- (2) Social, is a lens to examine how a company manages its relations with its employees, financial stakeholders, customers, and the communities in which it operates. Common social factors include human capital management, product liability, and stakeholder opposition.
- (3) Governance encompasses corporate board and management structures, as well as company policies, standards, information disclosures, auditing, and compliance issues. Common governance factors include board diversity, executive wages, financial processes, competitive fairness, and anti-corruption practices in a company.

FRIM recommends and offers a broad array of investment strategies, which will vary based on the Wealth Manager providing advice to each client. As Wealth Managers have discretion in managing client accounts, performance within the same investment objective will vary based on the individual Wealth Manager providing the advice to the client. FRIM's primary investment strategies are set forth below. FRIM has in the past and likely will in the future offer additional strategies or variations of the strategies described. FRIM Wealth Managers utilize an approved list of securities that is maintained by FRIM Research. Securities not on the approved list are not recommended or managed by FRIM.

### **Cash Management**

In cash management portfolios, the investment process emphasizes safety and liquidity over yield. Cash management portfolios undergo credit review, risk management and diversification analytics on an ongoing basis.

### **Fixed Income**

FRIM utilizes fixed-income strategies that are actively managed. Actively managed fixed-income mandates generally employ an active investment style that has in the past and likely will in the future emphasize rotation among different types of debt on a relative value basis, specific security selection, quantitative analysis of each security and the portfolio as a whole and intensive credit analysis and review. Active management has in the past and likely will in the future include security selection, duration and yield curve positioning, industry rotation, asset allocation, credit, and institutional execution.

### **Equity**

FRIM's approach to the management of equities combines both quantitative and qualitative research as FRIM believes the blended approach produces better results than either method alone. The quantitative approach uses multiple numeric measures to gauge a stock's relative attractiveness. Qualitative analysis extends the quantitative analysis to identify stocks suitable for the investment strategy that are trading at attractive prices. Members of the equity research team are assigned one or more sectors and conduct bottom-up research on the stocks ranked highly by quantitative measures. After undergoing qualitative research to verify a stock's relative attractiveness, an equity security is deemed eligible to be combined into client portfolios, consistent with the objective specified in the Client's Investment Policy Statement. Wealth Managers have a level of discretion as to which eligible securities they choose consistent with Client's investment objectives. Similarly situated clients will typically have different securities in their portfolios.

FRIM's equity strategies include a broad range of products that vary according to investment style, market capitalization and geography. The asset range has in the past and likely will in the future include sector funds, long-only and long-short portfolios, as well as products that combine different strategies to create balanced, multi-asset and asset allocation portfolios. For many clients, FRIM creates and maintains portfolios of individual securities, which change from time to time. Individual portfolio management teams have in the past and likely will in the future interact daily to review market developments, opportunities and strategies.

### **Third-Party Investment Strategies**

FRIM researches investment managers and provides client access to these strategies through sub-advisory relationships. The due diligence process incorporates qualitative review of the investment manager's investment team, their philosophy and process. This analysis is complemented with quantitative analysis of the manager's past performance and portfolio risks. FRIM monitors and maintains updated information on investment managers and funds through routine compliance, operational and research due diligence efforts. FRIM seeks to select managers who will deliver competitive performance versus both peers and the appropriate market benchmarks. Each sub-advisor has discretion to purchase and sell securities for their portion of an assigned portfolio. Costs associated with such transactions, will typically be borne by the Client.

## **Model Management**

FRIM model management is designed to maximize operational efficiencies for separately managed account investments and provide portfolio customization. It centralizes the delivery and manufacturing of proprietary and third-party model portfolios across asset classes. FRIM relies on proprietary and vended applications to assist in the ongoing management of these strategies.

## **Private Investments**

As a part of its investment advisory services, FRIM provides certain Clients with the opportunity to invest in certain private investment vehicles that it believes present attractive investment return opportunities and diversification, typically involving longer investment horizons, limited liquidity, potential downside risk, and potential exposure to increased fees and expenses. FRIM's research approach to private investments includes in-house research and use of external consultants to provide useful and relevant information. Additionally, FRIM's team and consultants scrutinize operational aspects and risks including but not limited to counterparty risk, prime-broker relationships, and service providers (auditors and administrators). Once a potential manager is identified, an intensive due diligence process is conducted which involves quantitative and qualitative analysis.

FRIM will, from time to time and as appropriate, solicit clients to invest in such vehicles, and FRIM will decide which clients to approach for some or all of these investments, in its own discretion. Not all clients will be offered the opportunity to invest, and not all clients that will be offered that opportunity will choose to invest. Similarly, not all Wealth Managers are eligible to place clients into these investments. A subscription for interests in a Private Fund should be considered only by persons who do not anticipate any short-term need for their funds. Each investor should consult his or her own advisors regarding the legal, tax, and financial suitability of private investments.

## **Investment Risks**

FRIM supports its investment strategies with risk management procedures intended to keep portfolios in conformity with client objectives. Prospective clients and other investors should be aware that no risk management system is fail-safe, and no assurance can be given that risk frameworks employed by FRIM will achieve their objectives and prevent or otherwise limit substantial losses. No assurance can be given that the risk management techniques will accurately predict future trading patterns or the manner in which investments are priced in financial markets in the future. Risks for relevant products are more fully described in such products' offering and/or governing documentation.

Certain risks apply specifically to particular investment strategies or investments in different types of securities or other investments that clients and other investors should be prepared to bear. The risks involved for different client accounts or funds will vary based on each client's investment strategy and the type of securities or other investments held in the client's account or the fund. The following are descriptions of various primary risks related to the investment strategies used by FRIM. Not all possible risks are described below.

*Asset Allocation Risk* - Asset allocation strategies do not assure profit or diversification and do not protect against loss.

*Asset Class Risk* - Securities in an asset class in a portfolio have in the past and likely will in the future underperform in comparison to the general securities markets, a particular securities market, or other asset classes.

*Borrowing Risk* - Borrowing has in the past and likely will in the future exaggerate changes in the net assets and returns of a portfolio. Borrowing will cost the portfolio interest expense and other fees and have in the

past and likely will in the future reduce a portfolio's return. A portfolio can need to liquidate positions when it is not advantageous to do so to satisfy its borrowing obligations. Borrowing arrangements have in the past and likely will in the future be used to meet short-term investment and liquidity needs or to employ forms of leverage. The use of leverage entails risks, including the potential for higher volatility and greater declines of a portfolio's value, and fluctuations of dividend and other distribution payments.

*Commodity Risk* - Negative changes in a commodity market could have an adverse impact on the value of commodity-linked investments including companies that are susceptible to fluctuations in commodity markets. The value of commodity-linked investments has in the past and likely will in the future be affected by changes in overall market movements, taxation, terrorism, nationalization or expropriation, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as, weather (e.g., drought, flooding), livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The prices of sector commodities (e.g., energy, metals, agriculture and livestock) have in the past and likely will in the future fluctuate widely due to factors such as changes in value, supply and demand and governmental regulatory policies.

*Concentration Risk* - Concentrating investments in an issuer or issuers, in a particular country, group of countries, region, market, industry, group of industries, sector or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that issuer or issuers, particular country, group of countries, region, market, industry, group of industries, sector or asset class than a more diversified mix of investments.

*Conversion of Equity Investments* - After its purchase, a non-equity investment directly or indirectly held by a portfolio (such as a convertible debt obligation) could convert to an equity security (converted investment). Alternatively, a portfolio could directly or indirectly acquire equity securities in connection with a restructuring even related to one or more of its non-equity investments. The portfolio can then be unable to liquidate the converted investment at an advantageous time or price, impacting the performance of the portfolio.

*Counterparty Risk* - Transactions, including certain derivative transactions, entered into directly with a counterparty are subject to the risks that a counterparty will fail to perform its obligations in accordance with the agreed terms and conditions of a transaction. A counterparty could become bankrupt or otherwise fail to perform its obligations due to financial difficulties, resulting in significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding or no recovery in such circumstances.

*Credit/Default Risk* - Debt issuers and other counterparties of fixed income securities or instruments could default on their obligation to pay interest, repay principal or make a margin payment, or default on any other obligation. Additionally, the credit quality of securities or instruments could deteriorate (e.g., be downgraded by ratings agencies), which could impair a security's or instruments liquidity and decrease its value.

*Currency Risk* - Currencies have in the past and likely will in the future be purchased or sold for a portfolio through the use of forward contracts or other instruments. A portfolio that seeks to trade in foreign currencies has in the past and likely will in the future have limited access to certain currency markets due to a variety of factors including government regulations, adverse tax treatment, exchange controls, and currency convertibility issues. A portfolio has in the past and likely will in the future hold investments denominated in currencies other than the currency in which the portfolio is denominated. Currency exchange rates can be volatile, particularly during times of political or economic unrest or as a result of actions taken by central banks. A change in the exchange rates has in the past and likely will in the future produce significant losses to a portfolio.

*Cyber Security Risk* - With the increased use of technologies to conduct business, a portfolio is susceptible

to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents. Third-party investment managers engaged to manage Client assets are subject to and present cyber security risk.

*Derivative Risk* - Investments in derivatives, or similar instruments, including but not limited to, options, futures, options on futures, forwards, participatory notes, swaps, structured securities, tender-option bonds and derivatives relating to foreign currency transactions, which can be used to hedge a portfolio's investments or to seek to enhance returns, entail specific risks relating to liquidity, leverage and credit that will reduce returns and/or increase volatility. Losses in a portfolio from investments in derivative instruments can result from the potential illiquidity of the markets for derivative instruments, the failure of the counterparty to fulfill its contractual obligations, the portfolio receiving cash collateral under the transactions and some or all of that collateral being invested in the market, or the risks arising from margin posting requirements and related leverage factors associated with such transactions. In addition, many jurisdictions globally have proposed or adopted new regulations for derivatives transactions (e.g., U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010). New regulations could make derivatives more costly, limit the availability of derivatives, or otherwise adversely affect the value or performance of derivatives.

*Developed Countries Risk* - Investment in developed countries will subject a portfolio to regulatory, political, currency, security, demographic, and economic risk specific to developed countries. Developed countries will potentially be impacted by changes to the economic health of certain key trading partners, regulatory burdens, tariffs, trade agreements, debt burdens and the price or availability of certain commodities. Developed countries tend to represent a significant portion of the global economy and have generally experienced slower economic growth than some other countries or regions.

*Distressed Securities* - Investments in companies that are in poor financial condition, lack sufficient capital or are involved in bankruptcy or reorganization proceedings face the unique risks of lack of information with respect to the issuer, the effects of bankruptcy laws and regulations and greater market volatility than is typically found in other securities markets. As a result, investments in securities of distressed companies involve significant risks that could result in a portfolio incurring losses with respect to such investments.

*Emerging Markets Risk* - Investments in emerging markets are potentially subject to a greater risk of loss than investments in more developed markets, as they are more likely to experience inflation risk, political turmoil and rapid changes in economic conditions. Investing in the securities of emerging markets involves certain considerations not typically associated with investing in more developed markets, including but not limited to, the small size of such securities markets and the low volume of trading (possibly resulting in potential lack of liquidity and in price volatility), political risks of emerging markets including unstable governments, government intervention in securities or currency markets, nationalization, restrictions on foreign ownership and investment, laws preventing repatriation of assets and legal systems that do not adequately protect property rights. Further, emerging markets can be adversely affected by changes to the economic health of certain key trading partners, such as the U.S., regional and global conflicts, terrorism and war. Emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities. Economies in these regions may also be more susceptible to natural disasters (including earthquakes and tsunamis), or adverse changes in climate or weather. In addition, certain countries in this region with less established health care systems have

experienced outbreaks of pandemic or contagious diseases from time to time, including, but not limited to, coronavirus, avian flu, and severe acute respiratory syndrome. The risks of such phenomena and resulting social, political, economic and environmental damage (including nuclear pollution) cannot be quantified. Economies in which agriculture occupies a prominent position, and countries with limited natural resources (such as oil and natural gas), may be especially vulnerable to natural disasters and climatic changes.

*Equity Securities Risk* - Equity securities are subject to changes in value and their values can be more volatile than other asset classes. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and the industry in which the issuer securities are subject to stock risk. Historically, U.S. and non-U.S. stock markets have experienced periods of substantial price volatility and will do so again in the future.

*ESG Investing Risk* – ESG investing can limit the number and type of investment opportunities available to a portfolio, and as a result, the portfolio can underperform other portfolios that do not invest in issuers based on ESG characteristics or that use different criteria when filtering out particular companies and industries. FRIM considers certain ESG characteristics that can differ from what investors constitute as positive or negative ESG characteristics. There is also the risk that FRIM will not correctly apply the relevant ESG criteria. In assessing a security or an issuer’s ESG characteristics, FRIM can rely on information and data from third party providers, which could be incomplete, inaccurate, or unavailable. Thus, there is a risk that FRIM could incorrectly assess a security or issuer. Different providers also use varying methodologies to calculate ESG factors. Most providers outline specific ESG indicators, but those indicators often differ depending on the provider. Further, there is limited availability of ESG data as well as investments with relevant ESG characteristics in certain sectors. FRIM can change its ESG assessment of an issuer over time.

*Frontier Markets Risk* - Investments in frontier markets can be subject to a greater risk of loss than investments in more developed and traditional emerging markets. Frontier markets are more likely to experience inflation, currency and liquidity risks, political turmoil and rapid changes in economic conditions than more developed and traditional emerging markets. Frontier markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities.

*Hedging Risk* - Hedging techniques could involve a variety of derivatives, including futures contracts, exchanged listed and over-the-counter put and call options on securities, financial indices, forward foreign currency contracts, and various interest rate transactions. A transaction used as a hedge to reduce or eliminate losses associated with a portfolio holding or particular market that a portfolio has exposure, including currency exposure, can also reduce or eliminate gains. Hedges are sometimes subject to imperfect matching between the hedging transaction and its reference portfolio holding or market (correlation risk), and there can be no assurance that a portfolio’s hedging transaction will be effective. In particular, the variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged creates the possibility that losses on the hedge can be greater than gains in the value of the positions of the portfolio. Increased volatility will generally reduce the effectiveness of the portfolio’s currency hedging strategy. Hedging techniques involve costs, which could be significant, whether or not the hedging strategy is successful. Hedging transactions, to the extent they are implemented, have in the past and will likely in the future not be completely effective in insulating portfolios from currency or other risks.

*Income Risk* - A portfolio’s income will likely decline when interest rates decrease. During periods of falling interest rates an issuer can repay principal prior to the security’s maturity (“prepayment”), causing the portfolio to have to reinvest in securities with a lower yield, resulting in a decline in the portfolio’s income.

*Index-Related Risk* - Index strategies are passively managed and do not take defensive positions in declining markets. There is no guarantee that a portfolio managed to an index strategy (“index portfolio”) will achieve a high degree of correlation to its underlying index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the index portfolio’s ability to adjust its exposure to the required levels in order to track its underlying index. Errors in index data occur from time to time and are sometimes not identified and corrected for a period of time, and can have an adverse impact on a portfolio managed to the index. The index provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, and does not guarantee that the index will be in line with its described index methodology. Errors and rebalances carried out by the index provider to the underlying index has in the past and likely will in the future increase the costs and market exposure risk of a portfolio.

*Interest Rate Risk* - When interest rates increase, fixed income securities or instruments will generally decline in value. Long-term fixed income securities or instruments will normally have more price volatility because of this risk than short-term fixed income securities or instruments.

*Issuer Risk* - A portfolio’s performance depends on the performance of individual securities to which the portfolio has exposure. Changes to the financial condition or credit rating of an issuer of those securities can cause the value of the securities to decline or become worthless.

*Investment Style Risk* - Different investment styles tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. Portfolios will outperform or underperform other portfolios that invest in similar asset classes but employ different investment styles.

*Leverage Risk* - A portfolio utilizing leverage will be subject to heightened risk. Leverage involves the use of various financial instruments or borrowed capital in an attempt to increase the return on an investment and can be intrinsic to certain derivative instruments. Leverage takes the form of borrowing funds, trading on margin, derivative instruments that are inherently leveraged, including but not limited to, forward contracts, futures contracts, options, swaps (including total return financing swaps and interest rate swaps), repurchase agreements and reverse repurchase agreements, or other forms of direct and indirect borrowings and other instruments and transactions that are inherently leveraged. Any such leverage, including instruments and transactions that are inherently leveraged, can result in the portfolio’s market value exposure being in excess of the net asset value of the portfolio. A portfolio will often need to liquidate positions when it is not be advantageous to do so to satisfy its borrowing obligations. The use of leverage entails risks, including the potential for higher volatility and greater declines of a portfolio’s value, and fluctuations of dividend and other distribution payments.

*Liquidity Risk* - Liquidity risk exists when particular investments are difficult to purchase or sell (e.g., not publicly traded and/or no market is currently available or becomes less liquid in response to market developments). This can reduce a portfolio’s returns because the portfolio is unable to transact at advantageous times or prices. Investments that are illiquid or that trade in lower volumes can be more difficult to value.

*Long/Short Strategy Risk* - There is no guarantee that returns on a portfolio’s long or short positions will produce high, or even positive, returns and the portfolio could lose money if either or both the portfolio’s long and short positions produce negative returns.

*Management Risk* - A portfolio is subject to management risk, which is the risk that the investment process, techniques and analyses applied will not produce the desired results, and those securities or other financial instruments selected for a portfolio has in the past and likely will in the future result in returns that are inconsistent with the portfolio’s investment objective. In addition, legislative, regulatory, or tax



developments will affect the investment techniques or opportunities, available in connection with managing the portfolio and has in the past and likely will in the future also adversely affect the ability of the portfolio to achieve its investment objective.

*Market Risk* - The market value of the instruments in which a portfolio invests goes up or down in response to the prospects of individual companies; particular sectors or governments; political, regulatory, market and social developments; and/or general economic conditions throughout the world due to increasingly interconnected global economies and financial markets. In addition, turbulence in financial markets and reduced liquidity in equity, credit and/or fixed income markets may negatively affect many issuers, which could adversely affect market value. Market risk may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies world-wide. Recent examples include pandemic risks related to the coronavirus.

*Micro-cap Companies Risk* - Stock prices of microcap companies are significantly more volatile, and more vulnerable to adverse business and economic developments, than those of larger companies. Microcap stocks also are often thinly traded, making it difficult for a portfolio to buy and sell them.

*Municipal Securities Risk* - Municipal securities can be significantly affected by political or economic changes, as well as uncertainties in the municipal market related to taxation, changes in interest rates, relative lack of information about certain issuers of municipal securities, legislative changes or the rights of municipal security holders. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the inability to collect revenues for the project or from the assets.

*Non-Diversification Risk* - Non-diversification of investments means a portfolio invests a large percentage of its assets in securities issued by or representing a small number of issuers or exposure types. As a result, a portfolio's performance will depend on the performance of a small number of issuers or exposures.

*Non-U.S. Exchange Risk Exposure* - Portfolios that are denominated in U.S. dollars, but invest in securities denominated, and will receive a portion of their income and gains, in currencies other than the U.S. dollar, can experience a reduction in the value of such other currencies relative to the U.S. dollar prior to conversion into U.S. dollars. This can adversely affect the net asset values of the portfolio.

*Non-U.S. Securities Risk* - Investments in the securities of non-U.S. issuers are subject to the risks associated with non-U.S. markets in which those non-U.S. issuers are organized and operate, including but not limited to, risks related to foreign currency, limited liquidity, less government regulation, privatization, and the possibility of substantial volatility due to adverse political, economic, geographic events, or other developments, differences in accounting, auditing and financial reporting standards, the possibility of repatriation, expropriation or confiscatory taxation, adverse changes in investment or exchange controls or other regulations and potential restrictions on the flow of international capital. These risks are often heightened for investments in smaller capital markets, emerging markets, developing markets or frontier markets.

*Offshore Investor Risk* - A portfolio, seeking to trade in foreign currencies has in the past and likely will in the future have limited access to certain currency markets due to a variety of factors including government regulations, adverse tax treatment, exchange controls, and currency convertibility issues. These limitations and restrictions impact the availability, liquidity and pricing of the financial instruments that are necessary for the portfolio to gain exposure to the currency markets, impairing the portfolio's ability to achieve its investment objective.

*Operational Risk* - A portfolio can suffer a loss arising from shortcomings or failures in internal processes,

people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.

*Private Investment Risk* - Investments in private investments, including debt or equity investments in operating and holding companies, investment funds, joint ventures, royalty streams, commodities, physical assets and other similar types of investments are highly illiquid and long-term. A portfolio's ability to transfer and/or dispose of private investments is expected to be highly restricted.

*Portfolio Turnover Risk* - Active and frequent trading of securities and financial instruments in a portfolio can result in increased transaction costs, including potentially substantial brokerage commissions, fees and other transaction costs. In addition, frequent trading is likely to result in short-term capital gains tax treatment. As a result of portfolio turnover, the performance of a portfolio can be adversely affected.

*Real Estate Risk* - Historically real estate has experienced significant fluctuations and cycles in value and local market conditions which has in the past and likely will in the future result in reductions in real estate opportunities, value of real property interests and, possibly, the amount of income generated by real property. All real estate-related investments are subject to the risk attributable to, but not limited to: (i) inability to consummate investments on favorable terms; (ii) inability to complete renovation, expansion or development on advantageous terms; (iii) adverse government, environmental and tax regulations; (iv) leasing delays, tenant bankruptcies and low occupancy levels and lease rates; and (v) changes in the liquidity of real estate markets. Real estate investment strategies that employ leverage are subject to risks normally associated with debt financing, including the risk that: (a) cash flow after debt service will be insufficient to accumulate sufficient cash for distributions; (b) existing indebtedness (which is unlikely to be fully amortized at maturity) will not be able to be refinanced; (c) terms of available refinancing will not be as favorable as the terms of existing indebtedness; or (d) the loan covenants will not be complied with. It is possible that property could be foreclosed upon or otherwise transferred to the mortgagee, with a consequent loss of income and asset value.

*Research Risk* - Fundamental analysis entails attempting to measure the intrinsic value of a security by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysis attempts to produce a value for a security which can be compared with the current price. There are several weaknesses of fundamental analysis including; models are time consuming and specific to industries or companies, models are based on assumptions which introduce subjectivity, models are subject to biases of the analyst and the definition of fair value. Fundamental analysis should be approached with caution. An inherent risk involved in the analysis is the assumption that the market or security will reach an expected value. Qualitative analysis is a non-statistical oriented analysis. It uses subjective judgment based on unquantifiable information, for example; management expertise, industry cycles, strength of research and development and labor relations. The risk involved with qualitative analysis is that there are biases introduced by the analyst. Quantitative analysis is a method of analysis that seeks to understand behavior by using complex mathematical and statistical modeling. The risk involved with the analysis is that there is no guarantee that these models will accurately forecast results or reduce risk. There can be no assurance that a model will achieve its objective. Technical analysis is based on past market data including price and volume. The risks associated with this model are the assumption that the market will follow a pattern. However, markets do not always follow patterns or predictions of the pattern can be flawed.

*Short Selling Risk* - Short sales in securities that it does not own exposes a portfolio to speculative exposure risks. If a portfolio makes short sales in securities that increase in value, the portfolio will lose value. Certain securities will not be available or eligible for short sales. Short selling involves the risks of: increased leverage, and its accompanying potential for losses; the potential inability to reacquire a security in a timely manner, or at an acceptable price; the possibility of the lender terminating the loan at any time, forcing the portfolio to close the transaction under unfavorable conditions; the additional costs that will be incurred; and

the potential loss of investment flexibility caused by the obligation to provide collateral to the lender and set aside assets to cover the open position. There can be no assurance that a portfolio will be able to close out a short sale position at any particular time or at an acceptable price. Any loss on short positions will not necessarily be offset by investing short-sale proceeds in other investments.

*Small & Mid-Cap Risk* – Compared to large-capitalization companies, small-capitalization and mid-capitalization companies can be less stable and more susceptible to adverse developments, and their securities can be more volatile and less liquid.

*U.S. Economic Risk* - The United States is a significant trading partner with other countries. Certain changes in the U.S. economy could have an adverse effect on the economy and markets of other countries.

*Underlying Fund Risk* - A portfolio investing in funds (underlying funds), includes, but is not limited to the performance of the underlying fund and investment risk of the underlying funds' investment, as the underlying funds could involve highly speculative investment techniques, including extremely high leverage, highly concentrated portfolios, workouts and startups, control positions and illiquid investments. In particular, the risks for a portfolio operating under a fund of funds structure include, but are not limited to, the following: the performance of the portfolio will depend on the performance of the underlying funds' investments; there can be no assurance that a multi-manager approach will be successful or diversified, or that the collective performance of underlying fund investments will be profitable; one or more underlying funds will be allocated a relatively large percentage of the portfolio's assets; there can be limited information about or influence regarding the activities of the underlying fund's investment advisors and underlying funds, like any other asset, will be subject to trading restrictions or liquidity risk. Portfolio investments in underlying funds will generally be charged the proportionate share of the expenses of investing in the underlying fund(s).

*Valuation Risk* - The net asset value of a portfolio as of a particular date can be materially greater than or less than its net asset value that would be determined if a portfolio's investments were to be liquidated as of such date. For example, if a portfolio was required to sell a certain asset or all or a substantial portion of its assets on a particular date, the actual price that a portfolio would realize upon the disposition of such asset or assets could be materially less than the value of such asset or assets as reflected in the net asset value of a portfolio. Volatile market conditions could also cause reduced liquidity in the market for certain assets, which could result in liquidation values that are materially less than the values of such assets as reflected in the net asset value of a portfolio.

*Volatility Risk* - The prices of a portfolio's investments can be highly volatile. Price movements of assets are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, developments or trends in any particular industry, the financial condition of the issuers of such assets, changing supply and demand relationships, programs and policies of governments, and national and international political and economic events and policies.

## **Item 9 - Disciplinary Information**

In February 2018, the SEC announced an industry-wide initiative to identify and remedy conflicts of interest that arise where investment advisers failed to make required disclosures relating to their selection of certain mutual fund share classes that paid the adviser (or its related entities) a fee pursuant to Rule 12b-1 under the Investment Company Act of 1940 ("12b-1 fee") when a lower-cost share class for the same fund was available to clients. FRIM elected to participate in this initiative and, based on information that FRIM provided, the SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings against FRIM on March 11, 2019 (the "Order"). The SEC determined that, for the period January 1, 2014 to July 3, 2018, FRIM purchased, recommended or held for advisory clients mutual fund share classes that paid

12b-1 fees to FRIM (or its affiliated broker-dealer) instead of lower-cost share classes for the same funds for which the clients were eligible. The SEC determined that FRIM did not adequately disclose this conflict of interest, and that the failure to do so constituted breaches of FRIM's fiduciary duties and willful violations of Sections 206(2) and 207 of the Advisers Act. The SEC, among other things, censured FRIM and ordered FRIM to cease-and-desist from any future violations of Sections 206(2) and 207 of the Advisers Act, and to pay \$924,661.43 in disgorgement and \$80,532.82 in prejudgment interest to FRIM's affected investors, in accordance with procedures set forth in the Order. The SEC did not order a civil monetary penalty or fine. FRIM consented to the Order without admitting or denying the SEC's findings (except as to jurisdiction, which was admitted). (On the same day that FRIM settled, the SEC settled with 78 other investment advisers for similar conduct.) Prior to the entry of the Order, in July 2018, FRIM implemented remedial measures to address the practices described in the Order, including revised disclosures and the crediting of all 12b-1 fees to advisory accounts on a going forward basis. The SEC's Order can be found at <https://www.sec.gov/litigation/admin/2019/ia-5192.pdf>.

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

### **Affiliated Bank**

FRIM is a wholly owned subsidiary of FRB, a publicly-traded bank that offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients. FRB is a member of the Federal Deposit Insurance Corporation ("FDIC"). As a subsidiary of FRB, FRIM is under common ownership and control with several other providers of financial services, including those set forth below with which it has a material business relationship. The services provided by these affiliated companies are separate and distinct from the advisory services of FRIM, and they are provided for separate and additional compensation.

### **Affiliated Broker-Dealer**

FRIM is affiliated through common ownership and control with FRSC, a registered securities broker-dealer. All FRIM advisory accounts participating in the Program must use FRSC for brokerage. Client accounts at FRSC are cleared on a fully-disclosed basis at Pershing, which has custody of the FRSC customer accounts. Pershing is a clearing broker that is not affiliated with FRSC or FRIM.

The majority of Wealth Managers and FRIM management and representatives are registered, or have an application pending to register, as representatives and associated persons of FRSC.

### **Affiliated Trust Companies**

FRIM is affiliated through common ownership and control with First Republic Trust Company ("FRTC"), a division of FRB, First Republic Trust Company of Delaware, LLC ("FRTC-DE"), and First Republic Trust Company of Wyoming, LLC ("FRTC-WY"). Some client trust accounts are held in custody with FRTC, FRTC-DE, or FRTC-WY. When appropriate, FRIM, on the one hand, and FRTC, FRTC-DE, or FRTC-WY, on the other hand, refer clients to each other. This creates potential conflicts of interest with clients which are addressed as set forth below.

### **Relationships with Affiliates**

When appropriate, FRSC provides a broad range of brokerage services to FRIM clients for which it receives compensation. This creates conflicts of interest with clients which are addressed as set forth below.

FRSC serves as a placement agent for certain funds on FRIM's Eagle Alternative Investments platform. Neither the investors in the Eagle Alternative Investment Funds nor the Eagle Alternative Investments Funds pay a fee to FRSC for serving as private placement agent. FRIM, using its own assets, pays FRSC a flat fee, which is intended to reimburse FRSC for its reasonable expenses in providing private placement services.

In certain instances, FRSC serves as placement agent for investments in Private Funds that are not advised by FRIM ("unaffiliated Private Funds"). In such instances, if a client elects to invest in an unaffiliated Private Fund through FRSC, the client has in the past and likely will in the future be charged a one-time placement agent fee in addition to the unaffiliated Private Fund's fees (e.g., management and administration fees). FRIM or FRSC have in the past and likely will in the future also receive ongoing fees from the Private Fund for the placement. These relationships present a conflict of interest because they create an incentive for FRIM to recommend unaffiliated Private Funds that pay a one-time and/or ongoing placement agent fee to FRIM. To the extent permissible under applicable law, FRSC and its affiliates generate additional revenue to the extent an investor funds its investment in a Private Fund using margin where FRSC or its affiliates have a revenue share agreement in place with a third party sponsor of the margin account. This additional revenue presents a potential conflict of interest.

Margin buying is buying securities with cash borrowed from a broker-dealer (including an affiliate of FRIM) by using other securities as collateral. In cases where margin is used in a client account, the marginable securities in the accounts are pledged for collateral to borrow and buy additional securities in that account. This has the effect of magnifying any profit or loss. The securities serve as collateral for the loan, and this margin loan must be repaid even if the residual value of the client account is insufficient. FRIM will have an incentive to recommend borrowing money on a client account and pledging the assets as collateral through FRIM's affiliated broker dealer, FRSC. Both entities are under common control, and FRSC receives compensation for FRIM clients' use of margin. These conflicts are addressed as set forth below.

FRSC receives compensation from other firms for trades that FRSC directs for execution through such firms. This compensation is known as "payment for order flow." Such trades have in the past and likely will in the future include trades for FRIM clients that are executed through FRSC. This compensation for such Clients' trades creates a conflict of interest because FRIM has an incentive to use its affiliated broker-dealer, which will collect the compensation. FRIM's Clients, however, are under no obligation to utilize the services of FRSC and can choose to use a different broker-dealer and still retain FRIM to provide its advisory services.

FRSC, receives Rule 12b-1 (distribution), revenue-sharing, service and administrative fees for certain open-ended investment companies (mutual funds) purchased by non-advisory clients of FRIM. Additionally, FRSC receives Rule 12b-1 (distribution), revenue-sharing, service and administrative fees for advisory clients of FRIM for money market mutual funds accessed by a cash balance "sweep" for which FRSC's clearing broker is unable to credit the fees to client accounts.

Client assets are sometimes invested in shares of registered funds (such as mutual funds) that offer several classes of shares with different fees. Some mutual funds, or some share classes thereof, or their affiliates, charge Rule 12b-1 (distribution) fees, shareholder services fees or administrative fees and pay these fees to FRSC, and some funds and classes generate revenue-sharing fees that are paid to FRSC. Distribution payments, or 12b-1 fees, and revenue sharing fees compensate FRSC for selling registered fund shares. Shareholder services and administrative fees compensate FRSC for customer account services and administration such as account and trade detail recordkeeping, customer statement preparation and delivery, tax reporting, and other services that the registered mutual fund otherwise would have provided. Distribution, shareholder services and administrative fees typically are deducted from the mutual fund's assets and indirectly paid by the fund's shareholders. Revenue-sharing payments typically are paid by a fund affiliate out of the fund adviser's management fee. Registered funds often offer one or more share

classes that do not charge 12b-1, revenue-sharing or shareholder services fees. Clients in some cases are able to invest in lower-cost share classes directly.

In an effort to reduce client costs and minimize the conflicts of interest presented by Rule 12b-1 fees and revenue-sharing payments: (1) as of July 1, 2018, FRSC will for all advisory account clients on a going-forward basis, credit Rule 12b-1 fees it receives to the advisory clients' account(s), except for money market mutual funds for which FRSC's clearing broker is unable to credit the Rule 12b-1 fees to client accounts, (2) as of July 1, 2018, FRSC will for all advisory client accounts credit service and administrative fees received from mutual funds that do not also make revenue-sharing payments to the advisory client account(s), and (3) as of October 1, 2020, FRSC no longer receives any revenue-sharing payments from mutual funds in advisory client account(s), except for money market mutual funds for which FRSC's clearing broker is unable to credit the revenue-sharing payments to client accounts. These money market mutual funds, which are accessed by a cash balance "sweep," are described in more detail below, along with the associated conflicts of interest. Any credits to advisory client account(s) will be subject to the advisory fee if they remain in a client account at the time of billing.

FRSC receives a periodic, flat, per-account fee from Pershing, for each active FRSC account introduced to Pershing, including FRIM advisory accounts custodied at Pershing through FRIM's affiliate FRSC. This per-account fee creates a conflict of interest because, although FRIM permits clients to choose among multiple custodians, the fee is only paid if the client chooses to custody advisory accounts at FRIM's affiliate FRSC rather than at other possible custodians. The revenue to FRSC from this per-account fee is not shared with FRIM or with any individual financial professionals at FRSC or FRIM.

FRIM's affiliate receives a quarterly contingent cash incentive ("CCI") for net new assets custodied at Pershing by FRIM's affiliate, including FRIM advisory accounts. This CCI creates a conflict of interest because, although FRIM permits clients to choose among multiple custodians, the fee is only paid if the client chooses to custody advisory accounts at FRIM's affiliate FRSC rather than at other possible custodians. The revenue to FRIM's affiliate from this CCI is not shared with FRIM or with any individual financial professionals at FRIM or its affiliate.

FRIM selects the lowest-cost share class of a mutual fund for which each of its clients is eligible at such client's custodian and that is available at such custodian, based on the total expense ratio shown in the fund's prospectus and without factoring in any rebates (except that money market mutual funds accessed via cash balance "sweep" are treated differently, as described below). Certain mutual funds have lower-cost share classes which are not available for investment by all of FRIM's clients because FRIM is not able to access them at each client's custodian.

Although there can be legitimate reasons that a particular client is invested in a more expensive share class, FRIM has taken steps to minimize the conflict of interest presented by FRSC's receipt of fees: through 12b-1 fee and certain service and administrative fee advisory account credits beginning on July 1, 2018, except for money market mutual funds for which FRSC's clearing broker is unable to credit the Rule 12b-1 fees to client accounts, for such fees received after that date; by renegotiating FRSC's agreement with its clearing broker to eliminate the receipt of revenue-sharing payments beginning on October 1, 2020; through disclosure in this Brochure; through internal policies and procedures that require investment advice to be appropriate for advisory clients; by ensuring that individual Wealth Managers are not directly compensated for recommendations to purchase share classes of registered funds that pay fees to FRSC; by restricting Wealth Managers' recommendations to funds and share classes on FRIM's approved list; and by systematically evaluating when a lower fee share class of a registered fund on FRIM's approved list is available. It will not always be possible or in the client's best interest for FRIM to select or to convert to SEC-registered mutual fund investments that do not pay fees to FRSC. Accordingly, despite the foregoing efforts to minimize conflicts of interest, FRIM clients should not assume that they will be invested in or

moved to the registered fund or share class with the lowest possible fees; however, between FRIM's efforts to move clients to the lowest-cost share class and the advisory account credits described above, FRIM believes its clients are invested in the share class that will be the lowest cost to clients.

FRIM and its affiliates do not receive any Rule 12b-1 fees or revenue sharing fees from the FRC Founders Fund for investments in the Fund by FRIM managed client accounts. Additionally, FRIM's clients would not be charged any sales commission on the purchase of shares of the FRC Founders Fund.

FRSC makes available to clients several options for holding uninvested cash in clients' FRSC brokerage accounts, including accounts for investment advisory clients of FRIM. The primary, and default, option for those who qualify is the Eagle Sweep program. The Eagle Sweep Account is a deposit account opened and maintained by FRSC's clearing agent, Pershing, at FRSC's affiliated bank, FRB. FRIM's parent, FRB, and FRSC benefit from cash balances that are "swept" from Eagle Sweep Accounts, as discussed further below.

Another option for holding uninvested cash in clients' FRSC brokerage accounts is money market mutual funds and money market deposit accounts. FRSC earns income from cash balances that are "swept" from client accounts into money market mutual funds and money market deposit accounts. FRSC earns and keeps an immaterial amount of the Rule 12b-1, revenue-sharing, service and administrative fees it receives from the money market mutual funds to which cash balances are "swept" from FRIM client accounts. FRSC generally receives less compensation when these fees are reduced or waived completely, or when there is no fee. FRSC keeps all 12b-1, revenue-sharing, service and administrative fees it receives from these "sweep" money market mutual funds. Because FRSC retains these payments from the money market mutual funds' affiliates, FRIM has a conflict of interest with respect to the selection and retention of those money market mutual funds or share classes thereof. This conflict arises because those payments and fees create an incentive for FRIM Wealth Managers to choose those money market mutual funds or share classes over other funds or share classes that do not make such payments or that make lower payments, since doing so results in higher compensation for FRSC.

For FRIM investment advisory clients whose brokerage accounts are custodied through Fidelity Brokerage Services LLC and its affiliate, National Financial Services LLC, there is available to eligible account holders the Eagle One Sweep Bank Deposit Sweep Program ("Eagle One Sweep BDSP") to hold cash balances while awaiting reinvestment. The cash balance awaiting reinvestment will be automatically swept into an interest-bearing FDIC insurance eligible Eagle One Sweep BDSP deposit account at FRB. FRIM's parent, FRB, benefits from cash balances that are "swept" from Eagle One Sweep BDSP, as discussed further below.

When a FRIM client deposits cash in an FRSC or Fidelity custodial account and the client uses the Eagle Sweep Program or the Eagle One Sweep BDSP (together, the "Bank Sweep Programs"), as applicable, the funds are subject to Securities Investor Protection Corporation ("SIPC") coverage from the time of receipt in the brokerage account until the funds are swept to the Bank Sweep Program account, and the cash balance is only eligible for FDIC insurance attaches, to the extent provided for under the Federal Deposit Insurance Act and FDIC rules, when those funds are received at FRB. The FDIC insurance limit is \$250,000 per person, and a client's other deposits at FRB in the same right and capacity will counts towards this limit. It is the client's responsibility to monitor their total deposits at FRB to determine the extent of FDIC insurance coverage available to them, and FRIM does not conduct that monitoring for clients.

Funds swept into FRB deposit accounts under Bank Sweep Programs provide FRIM's parent, FRB, a relatively low-cost source of funds for the Bank that can be lent or invested at higher rates, thus enabling FRB to earn a profit based on the spread between the rate paid to its customers and the interest earned by FRB on the assets. The availability of the Bank Sweep Programs create a conflict of interest with FRIM clients because FRIM has an incentive to recommend that clients "sweep" cash balances to FRB bank deposits in the Bank Sweep Programs for the reasons described below. The interest rates paid to customers

on the Bank Sweep Programs are set by FRB in its sole discretion. FRB does not have a duty to provide the highest rates available and has in the past and likely will in the future seek to pay a low rate. FRB has in the past and likely will in the future pay rates of interest on Bank Sweep Program deposits that are lower than the prevailing market interest rates paid on account otherwise opened directly with FRB.

FRB registers a monthly per-account credit to FRSC in its internal books and records for each FRSC account, including each FRIM advisory client account, that utilizes the Eagle Sweep Program. FRB employees receive referral payments based on asset levels in accounts of clients such employees have referred to FRIM or FRSC, which includes sweep deposit balances. Information regarding the Bank Sweep Programs, including information regarding the scope of FDIC insurance coverage and the existence of the conflicts of interest with respect to the programs has been provided to participating clients in each program. These conflicts of interest are addressed as set forth below.

The asset-based management fee charged by FRIM to advisory clients covers cash and cash equivalents, including cash allocated to Bank Sweep Program accounts at FRB. This fee and the benefits described above to FRB for the Bank Sweep Programs, and the fees and benefits described above to FRSC for the Eagle Sweep Program, create a conflict of interest for FRIM because it provides FRIM an incentive to maintain a larger cash balance in FRIM client accounts using one of the Bank Sweep Programs. The Rule 12b-1 fees, revenue-sharing payments and service and administrative fees that FRSC receives from money market funds accessed by cash balance “sweep” also create a conflict of interest for FRIM because they provide FRIM an incentive to sweep client assets into these funds. The conflicts of interest created by the application of the asset-based management fee to cash and cash equivalents are addressed as set forth below. Additionally, FRIM has a policy to monitor for cash balances in FRIM accounts that depart from the client’s agreed-upon guidelines in the client’s Investment Policy Statement. Further, FRIM’s Wealth Managers do not receive any extra compensation for cash allocated to a Bank Sweep Program or invested in money market mutual funds, which helps mitigate these conflicts of interest.

Wealth Managers are directly compensated for referring clients to FRB for Bank products and services. This compensation creates an incentive for Wealth Managers to refer clients to Bank products or services so they can receive compensation and not necessarily because they are appropriate products or services for such clients, which is a conflict of interest. Such compensation has in the past and likely will in the future comprise a meaningful part of the total compensation package for many Wealth Managers. Certain specific products and services offered by FRB and the related conflicts of interests are discussed further below.

FRB offers a securities-based lending program that allows clients to satisfy short-term cash needs as an alternative to selling assets, and Wealth Managers refer clients to FRB’s program. The minimum loan amount is generally \$500,000, the loans are typically structured as 12-month revolving lines of credit with auto-renewal, and the loans cannot be used to buy additional securities. FRB seeks to earn a profit from this program by making loans to clients at interest rates higher than its cost of funds. The loans are secured by eligible marketable securities held at FRSC or FRTC. The use of securities as collateral exposes the client to a risk of forced liquidation if the market declines, which can potentially disrupt a long-term investment plan or incur capital gains taxes, a risk which is magnified for positions that are concentrated in a single security or market sector. Depending on the nature of the referral, Wealth Managers receive compensation for the referral. In addition, clients of FRIM will still incur their standard management fee for those assets in the FRIM account serving as collateral for the loan, along with any borrowing fees required by the loan. These borrowing fees are paid to FRB. This creates an incentive to refer clients to FRB’s securities-based lending program which is a conflict of interest. To help mitigate any conflicts of interest associated with the referral process: Wealth Managers must determine that a securities-based lending is in the best interest of the client before any referral is made for that client; prior to making a referral, the Wealth Manager must inform the client of the risks and limitations of such a loan; FRIM personnel associated with making a



referral are separated from FRB personnel involved in the credit review and approval of loans including the securities-based lending team who will review the nature of the credit and provide the client with additional product details and answer any additional questions a client might have; Wealth Managers receive enhanced training on the advantages and disadvantages associated with the securities-based lending program; FRB markets the securities-based lending program on only a minimal basis to clients or prospects, relying instead on internal awareness of the program; all securities-based lending applications are required to go through a formal application, credit review and approval process conducted by FRB's securities-based lending team; and FRSC monitors referrals for potential issues.

As noted on FRB's Schedule 14A Proxy 2021, the Vanguard Group ("Vanguard") and BlackRock, Inc. ("BlackRock") are each considered a "related person" of FRB because they each beneficially own more than five percent of our outstanding common stock. A subsidiary of Vanguard serves as the directed trustee and record keeper of FRB's 401(k) Plan. In connection with these services, FRB paid a fee of approximately \$330,000 in 2020. FRB may in the ordinary course of business engage in transactions with BlackRock, including selling BlackRock investment products to our clients or placing our client funds in their mutual funds. In connection with these transactions, FRB received distribution, servicing and other administrative fees from BlackRock of approximately \$1.4 million in 2020. Additionally, BlackRock serves as the guarantor for loans under an FRB professional loan program with BlackRock, in which BlackRock affiliated professionals may obtain loans from FRB. No fees were earned from BlackRock in connection with this guarantee. Transactions with BlackRock and Vanguard were entered into on an arm's length basis and contain customary terms and conditions.

### **Conflicts Related to Affiliations and Affiliated Activities**

In their separate capacities as registered representatives and/or insurance agents, FRIM management persons, Wealth Managers, and employees who are separately licensed as registered representatives with FRSC or as insurance agents with FRSC will be able to effect securities transactions, financial planning and consulting services and/or purchase or refer insurance and insurance-related investment products for FRIM's advisory clients, for which they will receive separate and additional compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities or insurance.

Clients should be aware that the receipt of additional compensation by FRIM and its employees creates a conflict of interest due to its affiliated entities, which conflict of interest could impair the objectivity of FRIM and these individuals when making advisory recommendations. FRIM endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this and other conflicts of interest arising due to FRIM's various affiliations:

1. FRIM discloses to clients the existence of all material conflicts of interest, including the potential for FRIM and its employees to earn compensation from advisory clients in addition to FRIM's advisory fees;
2. FRIM discloses to clients that they are not obligated to purchase recommended investment products from FRIM's employees or related companies;
3. FRIM collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
4. FRIM conducts reviews of client accounts to verify that recommendations made to a client are in the best interest of the client, taking into account the client's reported needs and circumstances;
5. FRIM requires that its employees seek prior approval of any outside business activity so that FRIM

can ensure that any conflicts of interests in such activities are properly addressed;

6. FRIM periodically monitors these outside business activities to verify that any conflicts of interest continue to be properly addressed by FRIM; and
7. FRIM educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

### **Conflicts Related to Unaffiliated Activities**

FRIM is also an insurance agency, DBA Eagle Private Insurance Services, as discussed above in Item 5. No new insurance business is conducted with FRIM as the insurance agency of record, however, FRIM and its former agents, now agents of FRSC, have in the past and likely will receive certain renewal or other “trail” compensation for historical sales sold through an unaffiliated entity with which FRIM had an agreement with.

### **Conflicts Related to Private Fund Activities**

FRIM is the investment adviser to the Eagle Alternative Investments Funds, which generally invest in private funds that are managed by third-party fund managers. FRIM or an affiliate has, and in the future will likely have, business relationships with such private funds, third-party fund managers and their managers, affiliated entities or key principals. Similarly, affiliates of FRIM have, and in the future will likely have, business relationships with FRIM clients who invest in Eagle Alternative Investments Funds. These business relationships create conflicts of interest between FRIM and FRIM’s clients. FRIM’s goal is to avoid conflicts of interest or address any identified conflict consistent with the best interest of clients. Addressing identified conflicts includes disclosing such conflicts or mitigating the conflicts through internal controls and review processes.

For purposes of complying with applicable bank regulations, Eagle Alternative Investments Funds often elects to be treated as a bank holding company with respect to an Eagle Alternative Investments Fund’s ability to vote its interest in an underlying Private Fund advised by a third party investment manager. Accordingly, to the extent that the Eagle Alternative Investments Fund’s interest in the underlying Private Fund exceeds a designated percentage of any “class” of “voting securities” of the underlying Private Fund (as such terms are defined in Federal Reserve Regulation Y), such excess interests are expected to become a non-“voting” interest under the terms of the limited partnership agreement of the underlying Private Fund (the “Underlying Fund LPA”). Even with such election, the Eagle Alternative Investments Fund shall retain its ability, to the extent applicable, to vote to remove the underlying Private Fund’s general partner for cause or to approve a replacement general partner who has been terminated or resigned. The Eagle Alternative Investments Fund shall also retain its ability to vote or consent on matters involving a significant adverse change to its rights and benefits as a limited partner of the underlying Private Fund, the issuance of senior securities by the underlying Private Fund or the dissolution of an underlying Private Fund, as applicable. While the Eagle Alternative Investments Fund will retain its ability to vote or consent on such important matters, it is possible that in the event that a vote of the limited partners of the underlying Private Fund is required under the Underlying Fund LPA or pursuant to applicable law, the Eagle Alternative Investments Fund might not be able to exert significant influence over the outcome of such vote even if it holds a significant economic interest in the underlying Private Fund.

### **Conflicts Related to Sub-Advisory Activities**

As described in Item 4, FRIM acts as a sub-advisor to Spearhead Capital Advisors, LLC, that acts as an

investment manager for insurance companies, solely in respect of one or more separate investment accounts or sub-accounts, each of which is established by the applicable insurance company for the purpose of supporting benefits payable under an insurance policy characterized under Section 817(d) of the IRC as a “variable contract.” FRIM receives fees for these sub-advisory services. If a client expresses to a Wealth Manager an interest in purchasing a variable contract, or a Wealth Manager determines that it might be advisable for a client to purchase a variable contract, the Wealth Manager can recommend that the client purchase a variable contract from an insurance company with respect to which FRIM provides such sub-advisory services. Wealth Managers will have financial incentives to make such recommendations due to the fees payable to FRIM for its sub-advisory services. FRIM seeks to mitigate this conflict by reviewing whether such recommendations are in the best interest of the client, taking into account the client’s reported needs and circumstances.

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

FRIM maintains a comprehensive Code of Ethics (the “Code”) in accordance with Rule 204A-1 of the Advisers Act, Rule 17j-1 under the Investment Company Act and other applicable laws and regulations. The Code supplements FRB’s code of conduct. FRIM’s Code is based on the overriding principle that the FRIM employees have a fiduciary duty to FRIM clients. FRIM employees shall conduct their activities in accordance with the following standards: clients’ interests come first, conflicts of interest shall be avoided, compromising situations shall be avoided, and that there is a general prohibition against fraud, deceit, and manipulation. The Code sets forth specific rules and procedures that are consistent with these fiduciary standards. However, all activities by FRIM employees are required to conform to these standards regardless of whether the activity is specifically covered in the Code. The Code is provided to all FRIM employees and each employee is responsible to acknowledge receipt. Employees are required to promptly report any known or suspected violation of the Code.

Procedures established in the Code are intended to address any conflicts of interest and to prevent and detect prohibited activities in connection with personal trading or certain other activities on the part of FRIM employees. The provisions of the Code are applicable to any person employed by FRIM or FRSC (“Access Persons”) as well as their immediate family members living in the employee’s household unless otherwise noted.

FRIM requires all Access Persons to pre-clear their personal securities transactions for securities that are covered under its Code of Ethics.

The following are restrictions on personal trading activities or conduct by Access Persons in the Code of Ethics:

- Prohibition on Initial Public Offerings and Initial Coin Offerings;
- Pre-clearance requirement for Private Investments;
- Prohibition on Short-Term Trading Profits (30 day hold requirement);
- Restriction on rating changes and price target changes: One full trading day black out period for changes to FRIM’s recommended list;
- For investment professionals, a prohibition on buying or selling a security of an issuer traded in an associated client account within 5 days (2 days prior to the client trade, same day or 2 days after) the client trade, except for De-Minimis trades defined as daily transactions in Covered Securities no greater than the share quantities and transaction values (or principal values) indicated as follows:
  - 5,000 shares and a transaction value of \$50,000 in a security whose market capitalization is \$5 billion or under; or

- 10,000 shares and a transaction value of \$100,000 in securities whose market capitalization is above \$5 billion; or
- principal value of \$100,000 in a fixed income security;
- Prohibition of Trading in FRC stock during the period the Firm has designated as a “Closed Period”;
- Prohibition on conducting a “cross” trades or “transfer of ownership/interest” in an investment with a client;
- Limits relating to gifts & entertainment given or received from any person or entity doing business with First Republic entities;
- Restriction on trading securities on FRIM’s Watch List and Restricted List;
- Pre-clearance requirements on certain outside business activities and political activities;
- Requirements to certify to the Code and report information required by the Code.

A full copy of the aforementioned Code of Ethics is available to any client or prospective client upon request to the Chief Compliance Officer (“CCO”) at the address or phone number provided on the cover page of this brochure.

From time to time, FRIM invests in securities on behalf of clients that are of the same type in which FRB or FRIM employees, officers or directors also invest. Wealth Managers are exempt from pre-clearance rules when their interests are aligned, they invest in the same strategy as their client, and they trade the same way alongside their client (i.e., they buy or sell the same securities at the same time and at the same price and they aggregate and average prices on these purchases and sales). Employees can invest in the same private securities in which FRIM clients invest; however, as noted above, employees who are Access Persons must pre-clear Private Investments. FRIM also assists with transfers of investors’ interest in private funds to persons related, or unrelated, to such investors. These transfers are initiated by investors and are generally subject to FRIM’s review and approval, when FRIM is the investment adviser to the private fund. FRIM monitors these transfers and neither FRIM nor any affiliate receive compensation related to these transfers.

Neither FRIM nor any related person is an issuer of any securities purchased for clients on a discretionary basis, and neither FRIM nor any related person has a material financial interest in any security purchased for any client on a discretionary basis.

Neither FRIM nor any related person acts as a general partner to a partnership in which clients are solicited to invest or offered to advisory clients, however, FRIM is an adviser to the Eagle Alternative Investment family of private pooled investment vehicles, and the conflict that this represents is described in the Private Placement Memorandum for each such fund.

Registered representatives of FRIM-affiliate, FRSC, recommend mutual funds and share classes that participate in Pershing’s FundVest Program, through which Pershing waives transaction charges for purchases of mutual funds in brokerage accounts (not advised or managed by FRIM) that would normally carry a transaction charge. Redemptions of shares of mutual funds that participate in the FundVest Program have in the past and likely will in the future be assessed a short-term redemption fee by Pershing if sold within six months, which FRSC can absorb or increase at its discretion.

FRIM Wealth Managers also recommend mutual funds and share classes that participate in Pershing’s FundVest Program, described above. FRIM seeks to select the lowest cost share class available at a given client’s custodian for any mutual fund whenever possible. Certain mutual funds have lower-cost share classes which are not available for investment by all of FRIM’s clients because FRIM is not able to access them at each client’s custodian.

FRIM’s CCO is responsible for the implementation and administration of the Code. The Compliance

department has the following monitoring responsibilities, including but not limited to pre-clearance of all FRIM employee personal trade requests in covered securities, monitoring of employee activity and maintenance of records in accordance with applicable laws and regulations. Any violation of the Code, including engaging in a prohibited transaction or failing to meet reporting requirements, could result in disciplinary action, up to and including, suspension or termination of employment. The Chief Compliance Officer is required to report to FRIM's Compliance Committee any circumstance of fraud, deceit, or a manipulative practice that could be found to have been practiced on a client of FRIM in connection with an employee's unapproved personal trading and other material violations of the Code.

## **Item 12 - Brokerage Practices**

FRIM generally has discretionary authority to determine the securities to be bought or sold for clients, the amount of such securities, the broker-dealer to be used and the commission to be paid, subject to a client's established guidelines. FRIM will use its best efforts to obtain the best available price and most favorable execution under the circumstances with respect to all portfolio transactions executed on behalf of advisory clients. FRIM does not take discretionary authority over the stock of its parent company, FRC.

When selecting or recommending a broker and negotiating commission rates for placing trades on behalf of client accounts, FRIM considers the full range and quality of brokerage services available. Both qualitative and quantitative factors are considered.

Qualitative factors include:

- timeliness and accuracy of trade confirmations
- ability to place trades in difficult market environments
- willingness to commit capital to complete trades
- quality of research and brokerage services

Quantitative factors include:

- timeliness of execution
- liquidity of securities traded
- ability to avoid market impact when executing transactions

### **Research and Soft Dollar Benefits**

As of May 2019, FRIM no longer uses soft dollars.

### **Brokerage for Client Referrals**

FRIM has had and will likely have in the future relationships with affiliated and unaffiliated broker-dealers wherein FRIM receives client referrals. This results in a conflict of interest with the client since FRIM has an incentive to select a broker-dealer based on receiving these referrals rather than selecting the broker with the most favorable execution. FRIM seeks to mitigate this conflict through Directed Brokerage as explained below.

FRIM does not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest arises between the client's interest in obtaining best price and execution and FRIM's interest in receiving future client referrals. Under such circumstances, therefore, clients should be aware of their various brokerage options, including utilizing the services of the referring broker, choosing another broker, or utilizing a firm retained by FRIM to provide custody and execution services.

## **Directed Brokerage**

FRIM requires that all clients direct FRIM to execute transactions through a specific affiliated or unaffiliated bank or broker-dealer chosen by the client (“Directed Brokerage”). Not all registered investment advisers require clients to direct brokerage.

A direction by the client to use FRIM’s affiliated bank or broker-dealer to effect transactions in the client’s account could result in less advantageous execution than if another broker-dealer were used to execute the transaction. This creates a conflict of interest since FRIM has an incentive to use its affiliate which will collect transaction fees. Clients of FRIM, however, are under no obligation to utilize the services of its affiliated bank or broker and can choose to use another bank and/or broker and still retain FRIM to provide its advisory services.

FRIM permits clients to use Directed Brokerage through an unaffiliated broker-dealer with which FRIM has an economic relationship. For example, FRIM has relationships with several brokers including Charles Schwab, TD Ameritrade and Fidelity. FRIM and its affiliates receive benefits in the form of systems support, duplicate client confirmations, bundled statements; access to a trading desk that exclusively service institutional division participants; access to block trading which provides the ability to aggregate and allocate transactions to client accounts; and access to an electronic communication network for client order entry and account information. When using Directed Brokerage, unaffiliated broker-dealers can offer higher or lower trading costs and overall service offerings differ from broker-dealers to broker-dealers. FRIM relies on the broker-dealers to seek best execution and is not obligated to solicit competitive bids for each transaction or seek the lowest available commission cost when Directed Brokerage is used. If a client’s broker-dealer cannot execute a transaction on the client’s behalf, or in FRIM’s sole discretion, FRIM determines that the transaction should not be executed by the client’s broker-dealer, FRIM will effect the transaction through a different broker, dealer, or bank, including those affiliated with FRIM. FRIM’s Best Execution Council oversees FRIM’s best execution obligations.

## **Aggregation/Allocation of Trades**

The FRIM Equity trading desk considers each Wealth Manager team as a separate internal customer. Their default allocation methodology is to allocate trades across such teams on a pro rata basis. Where possible, FRIM will aggregate orders of clients. In situations where aggregated trades are executed in multiple lots at varying prices, each participating client’s proportionate share will reflect the average price paid or received with respect to the aggregate order.

The FRIM Fixed Income trading desk seeks to aggregate trades on behalf of more than one client subject to such aggregation being in the best interests of all participating clients. Subsequent trades for the same security entered during the same trading day can be aggregated with any previously unfilled orders. Allocation decisions are made in conformance with basic fiduciary principles, so as to ensure fair and equitable treatment of each client participating in the aggregated trade. Instances in which client trades will not be aggregated include, but are not limited to, the following:

- Clients whose account guidelines have certain requirements unique to that client which would make trade aggregation impractical or not in the best interest of all clients;
- The timing of the trades entered during the trading day; and
- Traders and/or Wealth Managers determine that aggregation is not appropriate due to market conditions.

Further, FRIM will be unable to aggregate trades among client accounts where the participating clients have directed the use of different brokers or where individual Wealth Managers place such trades directly through

FRIM's and its affiliate FRSC's trading platforms rather than through the FRIM or FRSC trading desks. In addition, trades placed in the accounts of clients that do not grant FRIM discretionary authority over the account have in the past and likely will in the future be placed after those entered in the accounts of clients that have granted such authority. Under these circumstances, and depending on the type of security traded, the nondiscretionary client's trade has in the past and likely will in the future be executed on a different day and/or at a different price, which could be more or less favorable than the price obtained for clients granting discretionary authority.

FRIM manages a portfolio for its parent company, FRB. The account guidelines for this portfolio have unique requirements which make trade aggregation generally impractical or not in the best interest of the client. In instances when the FRB portfolio and other FRIM clients submit orders for the same security, FRIM will seek to fill the orders of the other FRIM clients first.

## **Item 13 - Review of Accounts**

### **Periodic Reviews**

FRIM Wealth Managers are responsible for ongoing review of client accounts. Client portfolios are also supervised by the Investment Policy Statement Monitoring Group to review the asset allocation versus approved ranges for each investment objective guideline.

### **Review Triggers**

More frequent reviews are triggered by a change in investment objectives; risk tolerance; tax considerations; large deposits or withdrawals; large sales or purchases; or changes in economic climate.

### **Regular Reports**

Investment advisory clients receive standard account statements from their custodian at least quarterly. Some clients are provided written periodic reports that contain more details about holdings; details include but are not limited to cost basis; current market prices; rates of return; estimated annual income; and yield.

### **Trade Errors**

It is FRIM's policy that trading errors must be corrected at no cost to the client and the promise of future trade commissions must not be used to compensate a broker/dealer for absorbing the cost of a trade error. FRIM has in the past kept gains from trade errors at its discretion. Implemented in the beginning of 2022, net gains, if any, from trading errors caused by an employee of FRIM are remitted as a donation to charity at the end of the calendar year.

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

FRB refers clients of the Bank to FRIM and vice versa. FRIM encourages Bank referrals and offers compensation, recognition and awards for bankers who refer business to FRIM, and the Bank encourages FRIM referrals and offers compensation, recognition and awards for FRIM Wealth Managers and Wealth Advisors who refer business to the Bank. Additionally, FRSC, FRTC, FRTC-DE, and FRTC-WY refer clients to FRIM and vice versa. FRIM offers compensation to the Bank, FRSC, FRTC, FRTC-DE, and FRTC-WY for these referrals, and those entities share that compensation with their employees who make the referrals.

This practice presents a conflict of interest for FRIM because an incentive exists to recommend Bank products based upon the compensation received rather than on a client's needs. This practice also presents a conflict of interest for the Bank because an incentive exists to recommend investment products based upon the compensation received rather than on a client's needs. However, when providing investment advisory services to clients, FRIM is a fiduciary and is required to act in the best interest of clients. FRIM addresses this conflict through disclosure in this brochure, through disclosure at the time of referral, and by adopting internal policies and procedures that require investment advice to be in the best interest of advisory clients (in accordance with the client-approved Investment Policy Statement).

Notwithstanding the foregoing, FRIM reserves the right to reject any referral in its sole discretion and will only offer investment advice where it can do so in a mutually beneficial manner with the client in accordance with its fiduciary duties under the Advisers Act and other applicable laws and regulations.

As discussed above in Item 10, FRB offers a securities-based lending program, and Wealth Managers refer clients to FRB's program. Depending on the nature of the referral, Wealth Managers receive compensation for the referral, which creates an incentive to refer clients to FRB's securities-based lending program and is a conflict of interest, as discussed above in Item 10. FRIM takes steps to help mitigate conflicts of interest associated with the referral process as described in Item 10 above.

### **Additional Compensation**

FRIM compensates some of its employees whereby the employee upon bringing a new client to FRIM receives a portion of the fees paid by the client to FRIM, as described above in Item 5. Additionally, some FRIM Wealth Managers are also registered with FRSC as broker-dealer representatives. In such capacities, FRIM Wealth Managers provide brokerage and related services to clients, including recommending the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities, and sales of life insurance policies and annuities. This practice presents a conflict of interest because it gives FRIM Wealth Managers an incentive to recommend investment products based upon the compensation received rather than on a client's needs. However, when providing investment advisory services to clients, FRIM Wealth Managers are fiduciaries and are required to act in the best interest of clients. FRIM addresses this conflict through disclosure in this brochure and by adopting internal policies and procedures that require Wealth Managers to provide investment advice that is consistent with the fiduciary duty for advisory clients (based upon information in the client-approved Investment Policy Statement).

FRIM provides investment advisory services to clients through managed account programs (dual contract) sponsored by unaffiliated broker-dealers and other financial intermediaries. In a dual contract program, FRIM provides its advisory services pursuant to an advisory agreement directly with the client. A client can separately arrange with one or more unaffiliated third parties for custody, financial advisory and certain trading services to be provided. For these accounts, FRIM is appointed to act as an investment adviser through a process generally administered or assisted by the managed account program sponsor. Clients participating in a program, generally with assistance from the sponsor, can select FRIM to provide investment advisory services for their account (or a portion thereof) for a particular strategy.

FRIM receives an economic benefit from certain third-party custodians by having fees reduced or by not being charged for utilizing specialized investment adviser electronic information down loads, access to specialized institutional brokerage trading and customer service teams, and specialized batched statements. From these services, FRIM is then able to more efficiently and readily manage clients' accounts. These benefits present a conflict of interest because it gives FRIM an incentive to recommend custody based upon the benefits FRIM received rather than on a client's needs. However, when providing investment advisory services to clients, FRIM is a fiduciary and is required to act in the best interest of clients. This conflict is addressed through disclosure in this brochure and by adopting internal policies and procedures that require



it provide investment advice consistent with the fiduciary duty for advisory clients (based upon information in the client-approved Investment Policy Statement).

FRIM is a party to a referral arrangement with an unaffiliated third-party manager and receives referral fees as an unaffiliated solicitor. FRIM is also party to referral arrangements with unaffiliated third-party solicitors, constructed in accordance with Rule 206(4)-3 of the Advisers Act, whereby third-party solicitors will refer potential clients to FRIM in exchange for compensation based on a percentage of investment management advisory fees collected. The details of referral arrangements by FRIM to the third-party manager, or by third-party solicitors to FRIM, are disclosed to clients at the time of referral.

## **Item 15 - Custody**

FRIM is not a qualified custodian (bank or broker-dealer) and does not generally have custody of client assets. However, because certain clients authorize FRIM to receive its advisory fees out of the assets in such clients' accounts by sending invoices to the respective custodians of those accounts or because FRIM in some cases has the ability to transfer funds through the use of a standing letter of authorization, FRIM is likely to be deemed by the SEC to have custody of the assets in those accounts for the purposes of the SEC's Custody Rule, Rule 206(4)-2. Such clients generally will receive account statements directly from their third-party custodians and should carefully review these statements. Clients should contact FRIM immediately if they do not receive account statements from the custodian on at least a quarterly basis.

On occasion, FRIM provides clients with separate reports or certain information about the account. Clients should compare these carefully to the account statements received from the custodian. If clients discover any discrepancy between the account statement provided by FRIM and the account statement provided by the custodian, they should contact FRIM immediately.

Additionally, in limited and incidental situations where FRIM is deemed to have custody by virtue of its affiliation with a Trust Company and also where Investment Adviser Representatives of FRIM act as Trustees in their personal capacity, FRIM is subject to a surprise audit.

FRIM's clients use their custodians to provide custody, trading and other services as it relates the terms of the Investment Management Agreement. Different custodians offer higher or lower trading costs and overall service offerings differ from custodian to custodian.

In the event client assets are maintained by a related person, FRIM will obtain a report of the internal controls relating to the custody of those assets from an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

Finally, FRIM is likely to be deemed to have custody of the assets in certain Eagle Alternative Investment Funds, due to the boards of directors/managers of the Eagle Alternative Investment Funds providing FRIM the authority to expend the capital and revenues of the Eagle Alternative Investment Funds in the furtherance of the Eagle Alternative Investment Fund's business. Some examples of this include the ability to instruct payment of third-party service provider invoices or to make payments directly on behalf of the Eagle Alternative Investment Funds (e.g., to pay state taxes). FRIM has several controls in place to ensure the safety of the funds' assets, including: (i) assets of the Eagle Alternative Investment Funds are maintained with a qualified custodian; (ii) only authorized signatories have the authority to approve or make payments; (iii) the Eagle Alternative Investment Fund third-party administrators perform monthly and/or quarterly reconciliations; (iv) an annual audit of each fund's financial statements is performed by an independent auditor registered with the Public Company Accounting Oversight Board ("PCAOB"); and (vi) a copy of the fund's audited financials is provided to each investor within the required timeframe.

FRIM would not be deemed to have custody of the assets in the Eagle “Access Funds” that are located on iCapital Network’s Technology platform. FRIM’s ability to access the Access Funds’ assets is limited in practice and by written agreement.

## **Item 16 - Investment Discretion**

As a general rule, FRIM receives discretionary investment authority from its clients at the outset of an advisory relationship, unless a Client has elected only non-discretionary advisory services. Depending on the terms of the applicable Investment Management Agreement, FRIM’s authority often includes the ability to select and negotiate with brokers/dealers through which transactions are executed and commissions paid (if any). FRIM is guided by any client-imposed guidelines and/or restrictions in the client-approved Investment Policy Statement when making portfolio investment decisions. FRIM generally is not required to provide notice to, consult with, or seek the consent of a Client prior to engaging in transactions unless a Client is receiving non-discretionary advisory services.

## **Item 17 - Voting Client Securities**

The majority of Clients that elect discretionary advisory services grant FRIM the authority to vote proxies as established by the advisory contracts or comparable documents. However, Clients can choose to receive any or all of their proxies or other solicitations directly from their custodian or a transfer agent, and vote any or all, in their sole discretion. Clients should contact their Wealth Managers directly with questions on a particular proxy solicitation.

In accordance with FRIM’s fiduciary duties, FRIM has adopted and implemented policies and procedures it believes are reasonably designed to ensure that proxies are voted in the best interest of Clients. In addition to SEC requirements governing advisers, the proxy voting policies reflect environmental, social and governance and the long-standing fiduciary standards and responsibilities for ERISA accounts.

It is the policy of FRIM to vote Client proxies in the best interest of the Client. It is also the policy of FRIM to disclose proxy voting policies and procedures to Clients, to provide copies of the policies and procedures upon request, and to advise Clients how they can obtain information on how proxies were voted by FRIM. The information requested by the Client will be furnished free of charge and within a reasonable period of time. FRIM can be contacted by calling a Client’s Wealth Manager. FRIM will vote in a way that it believes is consistent with its fiduciary duty and will cause the value of the issue to increase the most or decline the least. Consideration will be given to both short- and long-term implications when considering the optimal vote.

Any general or specific proxy voting guidelines provided in writing by a Client or its designated agent will supersede this policy. Clients can have their proxies voted by an independent third-party or other named fiduciary or agent, at the Client’s expense.

Proxies for securities in accounts managed by sub-advisors will be voted by the sub-advisors and will not be voted by FRIM, unless specifically agreed to by FRIM.

As a matter of practice, it is FRIM’s policy not to reveal or disclose to any Client how FRIM voted (or intends to vote) on a particular proxy until after such proxies have been counted at a shareholder’s meeting. FRIM will generally refrain from disclosing such information to unrelated third parties.

In certain markets, proxy voting involves logistical issues which can affect FRIM’s ability to vote such

proxies, as well as the desirability of voting such proxies. These issues include but are not limited to: (i) untimely notice of, shareholder meetings; (ii) restrictions on a foreigner's ability to exercise votes; (iii) requirements to vote proxies in person; (iv) "share blocking" (requirements that investors who exercise their voting rights surrender the right to dispose of their holdings for some specified period in proximity to the shareholder meeting); (v) potential difficulties in translating the proxy; (vi) requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions; and (vii) regulatory or contractual threshold constraints.

FRIM engages an unaffiliated third-party proxy vendor, Institutional Shareholder Services, Inc. ("ISS"), to administer proxy voting on FRIM's behalf. ISS will pre-populate their votes based on their guidelines. To the extent that ISS automates and electronically pre-populates its voting recommendations prior to submission deadlines, FRIM reserves the right to vote against ISS's recommendations. It is FRIM's policy to provide sufficient ongoing oversight of ISS to ensure that the proxies are voted in the best interests of FRIM clients. When applicable, FRIM considers additional soliciting material that becomes available from issuers. To avoid material conflicts of interest, FRIM will generally vote proxies according to the ISS Proxy Voting Guidelines and when applicable Socially Responsible Investment Voting Guidelines. There are a limited number of situations where FRIM might vote against ISS recommendations. In those situations FRIM will document the reasons FRIM chose to vote against ISS recommendations.

If a Client receives non-discretionary advisory services, the Client retains the responsibility to exercise voting rights and execute corporate actions.

### **Class Action Lawsuit Recoveries**

When a Client elects discretionary advisory services, for the sake of efficiency, FRIM has engaged the services of an unaffiliated firm, Chicago Clearing Corporation, to participate in class action shareholder lawsuits, including mediations, on a best efforts basis, for securities beneficially owned by clients during relevant class action periods. Chicago Clearing Corporation earns a contingency fee of fifteen percent (15%) of all monies recovered for clients through the filing and administration of class action lawsuit claims. Clients can choose to track their holdings versus relevant shareholder class action lawsuits, opt in or opt out of the class action, and/or complete the paperwork instead and in lieu of Chicago Clearing Corporation, in the Client's sole discretion.

If a Client receives non-discretionary advisory services, the Client retains the responsibility to respond to or complete paperwork related to class action lawsuits pertaining to securities held or formerly held in the account or the issuers of those securities.

## **Item 18 - Financial Information**

FRIM is a wholly owned subsidiary of First Republic Bank, a publicly traded company, the balance sheet of which is publicly available.

FRIM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore a balance sheet of FRIM is not required to be disclosed.

FRIM has no financial condition to disclose that is reasonably likely to impair its ability to meet contractual commitments to clients at this time.

FRIM has not been the subject of a bankruptcy petition at any time during the past ten years.