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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Birch Hill Investment Advisors LLC (also referred to in this brochure as Birch Hill). If you have any questions about the contents of this brochure, please contact us at 617-502-8300 or [info@bhboston.com](mailto:info@bhboston.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

While Birch Hill may be referred to as a "registered investment adviser", please note that registration does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated May 12, 2021 we have no material changes to report.

### Item 3 Table of Contents

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

## Item 4 Advisory Business

### (a) Description of Birch Hill

Birch Hill is an investment management firm founded in June of 2007 and wholly owned by its principals, all of whom are actively engaged in the business. We have broad experience in investment research, portfolio management, taxation and trust administration and have a long history of working with clients and coordinating financial solutions with their attorneys, accountants, and other professionals. Clients have direct access to the portfolio manager primarily responsible for the management of their portfolio. The assets of the accounts managed by Birch Hill are held by independent custodians, as further described in Item 15 below.

The Managing Members of Birch Hill are Gary Mikula and Robert O'Neil.

### (b) Services Offered

Birch Hill provides investment advisory services to individuals, trusts, IRA's and other employee benefit plans, endowment, and foundations accounts. Birch Hill works with each client to establish their goals, objectives, risk tolerance and investment time horizon and devises a plan to structure a portfolio to meet their goals within the appropriate risk profile. Investment solutions primarily employ individual stocks and bonds but may include mutual funds and exchange traded funds for certain asset classes. Birch Hill may also enter non-discretionary consulting arrangements whereby it will provide review, supervision, and recommendations regarding the selection of third-party investment advisers retained by a client or other services in special circumstances as negotiated with the client and at the sole discretion of Birch Hill. The advice provided by Birch Hill often goes beyond the portfolio and will include coordination with other professionals, including attorneys and accountants, in areas such as income and estate tax planning, giving strategies and other matters.

### (c) Services tailored to meet the needs of our clients

Birch Hill believes in building portfolios customized to reflect the individual circumstances and needs of each client. Central to the approach is knowing each client well, understanding their needs, and investing to meet objectives for growth, income, and risk tolerance. Establishing the investment strategy begins with a discussion with each client about their goals, objectives, and risk parameters. We work with each client to define their investment horizon, to understand how much they will spend and when, and to assess an acceptable level of volatility. The investment strategy incorporates portfolio growth objectives and expected financial needs.

What is an acceptable level of volatility? The answer is different for each client and not easily determined. We invest in securities that can go up or down in value, so our clients can lose money. Our goal is to structure portfolios for our clients that reflect the right amount of risk for them. For example, a client with a low risk level would generally have a higher percentage of their account in bonds. In a year when the stock market is down significantly, the bonds would generally reduce the amount of the decline. A client more able and inclined to have a higher risk level might have a larger percentage in stocks. This client would generally lose more in the years when stocks are down but perform better in the years when stock prices rise significantly. The key conversation is to determine the right mix for each client for the long term. We try to ensure that clients are comfortable with their asset allocation and are not urging us to change their asset allocation at times of market extremes.

Birch Hill manages some client portfolios with significant investment restrictions. For example, with some clients we may construct and manage a portfolio that addresses their social responsibility

concerns. Other clients may be actively engaged in a business or venture, and Birch Hill will tailor their investment portfolio to reduce exposure to other companies in the same industry, or construct a portfolio focused on low risk, low volatility to offset some of the risk in the client's business. Each client's investment strategy is periodically reviewed and updated with the client to ensure it remains appropriate for their situation.

The communication plan devised for each individual client may include periodic meetings to review the portfolio objectives, investment performance results, recent activity, and other pertinent information. The plan may also include periodic written reports, such as quarterly letters, sent electronically or by mail and supplemented by email and telephone conversations.

**Retirement Funds Rollover Recommendations:** When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provision, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interests. Our clients may decide to rollover retirement assets independently and without a recommendation from Birch Hill. However, if Birch Hill offers advice regarding the rollover, in any way, even small, then we are deemed to be giving Fiduciary Advice.

(d) Birch Hill does not participate in any wrap fee programs.

(e) Amount of client assets managed by Birch Hill as of December 31, 2021.

	<u><b>Amount</b></u>	<u><b>Number of Accounts</b></u>
Discretionary:	\$2,511,069,033	1,219
Non-Discretionary:	\$0	0
Total:	\$2,511,069,033	1,219

## **Item 5 Fees and Compensation**

### **(a) Compensation to Birch Hill**

Birch Hill's compensation is generally based on a percentage of the value of the assets managed. Each quarter the annual fee is calculated based on the prior month's ending market value for the

account and one fourth is charged in arrears. In the case of certain manually priced securities the most recent valuation available, which is generally earlier than the end of the prior month, may be used for fee billing purposes. The standard annual fee schedule is as follows: 1.00% on the first \$2 million, plus 0.75% on the next \$3 million, plus 0.50% on the balance of market value, with a minimum annual fee of up to \$20,000. Birch Hill may from time to time, depending on individual circumstances, in its sole discretion, charge a lesser fee than the stated minimum, or reduce its standard investment management fee.

When Birch Hill employees serve as a trustee for a client's account, we may seek additional annual compensation of  $\frac{1}{4}$  of 1% of the market value of the account. Birch Hill charges an additional hourly, flat or other alternative fee where the services are more than those usually provided, or in special circumstances. These fees are negotiated on a case-by-case basis and in the sole discretion of Birch Hill.

Birch Hill receives fees based on the value of client accounts, and, for this reason and others, it is important that client portfolios are priced accurately. Birch Hill uses prices provided by the custodians that hold client securities or a reliable third-party vendor if the custodians do not provide a price. If the custodians and the pricing service cannot provide a price, Birch Hill will obtain a price on a best-efforts basis. In such cases the source of the price is documented.

In the case of non-publicly traded holdings, Birch Hill may price the holding at original cost, zero value or a reasonable valuation method. For situations in which neither an exchange nor a broker, dealer or market maker issues a price for a security, and the security is not being priced at cost or zero value, Birch Hill may apply "fair valuation" procedures which it has adopted.

(b) Fee deducted directly from client account

For almost all Birch Hill clients the fee is computed by Birch Hill and deducted directly from the client account by the qualified custodian per invoice from Birch Hill. The client also receives a copy of the invoice unless they opt-out of receiving the invoice. A few clients, at their request, are billed personally for our service and send or arrange to send Birch Hill a check for the amount due. Birch Hill discourages this practice.

(c) Other fees or expenses

Additional charges paid by our clients, but not received by Birch Hill, include the costs of employing a bank or brokerage firm as custodian to hold the securities, process transactions, and generate reports; brokerage charges to effect security transactions; other fees or expenses such as mark-ups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation, all of which are charged to the client in addition to Birch Hill's investment management fee. Birch Hill does not receive any portion of any of these other charges or fees. If a client account holds mutual funds or exchange traded funds, in most cases two fees are paid: one to Birch Hill for the overall management and supervision of the holding and the account, and a second within the mutual fund or exchange traded fund consisting of separate investment management fees and other operating expenses. These latter charges are described in the fund's prospectus. Birch Hill will generally use no-load mutual funds. Please see section 12 below for more information regarding brokerage transactions. In certain instances, broker-dealer/custodians give Birch Hill the option of paying certain custodial fees rather than having the fees deducted from the client account. We have opted not to incur these charges and, therefore, you will incur all custodial fees. This presents a conflict of interest. Please note that clients have a choice of custodians, some of which do not charge a custodial fee.

(d) Fees are generally charged quarterly in arrears

Birch Hill discourages clients from paying fees in advance, but we may accommodate a specific client request.

(e) Birch Hill does not receive asset-based sales charges, service fees or any other compensation for the sale of securities or other investment products.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

Birch Hill provides investment advisory services primarily to individuals, trusts, and certain non-taxable accounts. While Birch Hill does not have a stated minimum account size, the stated minimum annual fee of \$20,000 implies a minimum account size of \$2 million based on our standard fee schedule. As noted above, Birch Hill may from time to time, depending on individual circumstances, charge a fee less than the stated minimum.

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

The following principles are central to the investment process at Birch Hill:

**Fundamental Analysis:** We believe that evaluating the opportunities and understanding the risks produces a basis for obtaining higher returns across individual securities and the total portfolio.

**Quality:** We believe that companies with strong financial characteristics protect their superior profitability for years.

**Environmental, Social, and corporate Governance (ESG):** We integrate ESG considerations into our investment management process in the belief that these factors can have an impact on financial performance. We consider additional risks from an ESG perspective, which could perhaps threaten the long-term sustainability of a company's business model.

**Invest for the Long Term:** We believe long-term investing with low turnover and tax sensitivity produces superior total returns.

**Risk Control:** We believe a prudent approach to asset allocation, sector weights and security diversification are key to long term performance.

As noted above in Item 4 c.), the first step in managing a client portfolio is to establish an investment strategy focused on attaining client goals with the appropriate level of risk. Formulating the strategy begins with a discussion of each client's goals, objectives, and risk parameters.

Every investment entails some risk of loss, ranging from significant to quite small. The goal of Birch Hill is to ensure that the risk level of the portfolio is appropriate for each client. Generally, the longer the investment horizon and the lesser the need for funds from the account in the near term, the greater the ability to withstand market value and income volatility to attain higher returns long term. Every client should be comfortable with the approach taken in their account and understand that investing in the types of securities used by Birch Hill in client accounts involves the potential risk of loss in the value of the securities, both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. Clients should be prepared to bear the risk of such losses.

ESG screening has risks including that it may not encompass all environmental, social, or governance issues and that such an approach may not lead to greater portfolio performance.

### **Investment Strategies:**

Our primary equity strategy, the Birch Hill Investment Strategy, aims to achieve competitive returns over a market cycle while assuming average to below-average risk. The approach is long term and focuses primarily on high quality growth companies. Risk is controlled, in part, by market sector weights and individual company selection. Birch Hill also manages client accounts in accordance with a focused strategy which employs individual holdings with higher growth potential and greater risk.

Equity Investments Employed: We select growth investments based on their fundamental prospects for long-term growth and attractive current valuations. Factors considered include sales growth, profitability, balance sheet strength, competitive position, management record, industry characteristics, and certain quality measures. From time to time, low cost mutual or exchange traded equity funds may be used to participate in certain asset categories, for example, international or small capitalization companies. Higher yielding, lower growth equities, such as utilities or real estate investment trusts, may also be used where appropriate.

Securities are sold when, among other factors, the articulated reasons for the original purchase are no longer valid; there has been a change in the long-term prospects; and/or the valuation of the security is no longer justified by its prospects or risks.

Fixed Income Investments Employed: Bonds are used in portfolios, as appropriate for each individual client, for current income, stability, and diversification. Selected securities may include government, agency, and higher-quality corporate bonds; preferred stocks; convertible securities; and broad based and high yield bond mutual funds and exchange traded funds.

Other securities: Where appropriate, we may also use real estate partnerships, hedge funds, private equity, and venture capital. These types of investments generally have a higher level of risk due to their concentrated nature, lack of liquidity and other reasons.

## **Item 9 Disciplinary Information**

Birch Hill and its Principals and employees have not been involved in any legal or disciplinary events.

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

Neither Birch Hill nor its members and employees has a formal relationship or business affiliation with any broker-dealer, registered representative, futures commission merchant, commodity pool operator, other investment advisor, law firm, accounting firm, insurance company or agent, investment company



or pension consultant. While Birch Hill is not affiliated with any of these organizations or individuals, Birch Hill works with custodians, attorneys, accountants, and other professionals retained by its clients.

In response to an inquiry from a client, Birch Hill may refer a client to one or more of these professionals if we believe that the professional will provide the service sought by the client and that the client is likely to be pleased with the service provided by this individual or firm. These individuals and firms may also occasionally refer clients to Birch Hill. No referral fees are paid.

Birch Hill clients establish an account with a Qualified Custodian to hold the assets of the account. Please see below in Item 12 a full description of the role of a custodian and the potential conflicts Birch Hill has as a result of these relationships.

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

Birch Hill has a Code of Ethics and a policy on personal trading that all employees are required to follow. Birch Hill and its employees are fiduciaries and must always act in the best interests of our clients. Accordingly, employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of our clients. Each year every employee receives a copy of the Code of Ethics. Every employee acknowledges receiving a copy, understanding it, and agreeing to comply with its provisions.

Training sessions on the Code of Ethics have been held for all employees.

From time-to-time Members and employees of Birch Hill may purchase or sell in their own personal accounts the same securities that are purchased, sold, or held for clients. These personal investments of Birch Hill employees and Members present a conflict of interest between our own financial interest and the best interest of our clients. We have addressed this conflict of interest by imposing trading restrictions under the Code of Ethics. The intent of the Code of Ethics is to ensure that the interests of the client always come ahead of the personal interest of any Member or employee. Pre-approval by the Chief Compliance Officer or his designee is required for an Initial Public Offering (IPO), Limited Offering (private security), Investment Clubs, or Short Sales. Birch Hill may institute blackout periods for trading in certain stocks to ensure client accounts can affect transactions before the accounts of Birch Hill employees. Associated Persons are trained on our Code of Ethics to make sure their personal trading does not compromise our duty of undivided loyalty to our clients.

Birch Hill may discuss with Clients the potential investment in privately held real estate partnerships, hedge funds, private equity, or venture capital funds. Certain of our employees and Members may also be investors in these securities. This presents a conflict of interest. We address this conflict of interest by full and fair disclosure to you prior to your investment. Birch Hill receives, and reviews reports of security transactions in reportable securities for all Members and employees. The Chief Compliance Officer compares personal trades to Birch Hill client trades to confirm personal trading does not violate our duty to our clients or even give the appearance of such a violation.

The Code of Ethics also addresses the dissemination of material non-public information concerning publicly traded companies. Federal Securities Law prohibits the buying or selling of such securities while in the possession of this information about the subject company. The Code of Ethics includes a procedure to follow should we find that we have such information. The Code also includes sections pertaining to gifts, to and from clients, to help ensure the personal interests of Members and employees do not interfere with their responsibilities to Birch Hill and all its clients.

Please call us at the telephone number on the cover page of this brochure if you would like to receive a

copy of the Birch Hill Code of Ethics.

## **Item 12 Brokerage Practices**

The Birch Hill Investment Advisory Agreement signed by the client allows Birch Hill to buy and sell stocks, bonds and other securities through brokers, dealers and banks selected by Birch Hill or, in the alternative, designates a primary broker-dealer through whom to execute trades in the account. For example, if Charles Schwab or Fidelity is the qualified custodian retained by the client, Schwab or Fidelity respectively is the designated primary broker-dealer. In the Agreement the client acknowledges that although a primary broker or dealer has been designated, Birch Hill may execute securities transactions with other brokers and dealers. In executing such transactions Birch Hill may agree to commissions that are higher than those that might be negotiated otherwise in consideration of research services that may benefit Birch Hill's clients generally, in accordance with Section 28(e) of the Securities Exchange Act of 1934, or to obtain better net cost and overall execution. Due to the costs and randomness associated with trading away for research, certain clients may bear a disproportionate amount of the cost of research services. While Birch Hill attempts to balance the costs as much as possible, perfect balancing is unlikely. This creates a potential conflict among client accounts. While Birch Hill does not require that a client use a specific qualified custodian and designated broker-dealer, Birch Hill does retain the power to direct trades to a broker-dealer other than the one designated by the client.

While a client may direct Birch Hill to place trades primarily with a specific broker, this practice may result in the lost opportunity to negotiate commissions, obtain volume discounts, achieve the best trade executions, and obtain the most favorable order of trade execution for aggregated trades. As a result, transactions in accounts directed by a client to a specific brokerage firm may result in higher commissions, greater spreads or less favorable net prices than would be the case if Birch Hill were authorized to choose the brokerage firm to execute transactions for the client's account(s). In addition to paying commission/transaction fees imposed by the broker dealer, accounts will also incur a separate flat dollar amount prime brokerage or Trade-Away fee paid to the broker dealer. These potential disadvantages have to be weighed against potentially lower standard brokerage charges, the absence of a separate custodian fee and other services the broker may provide to the client.

Clients who select a bank as the qualified custodian generally allow Birch Hill to select the broker for trades. These trades are generally executed at institutional rates that are not as low as those offered by discount brokers who serve as qualified custodians for most of Birch Hill's clients, such as Fidelity and Charles Schwab.

Birch Hill may utilize a specialized institutional fixed income broker for their experience in fixed income strategies, research, analysis, and trading. The use of a specialized fixed income broker creates efficiencies that lead to better processes. In executing fixed income transactions, fixed Income trades executed at this specialized institutional fixed income broker may pay a premium for their fixed income analysis and expertise. The trade will be evaluated for best execution but may not have the lowest price available in the market.

### **Best Execution and Soft Dollars**

In executing trades for its clients, Birch Hill seeks "best execution." This term means that Birch Hill may take into consideration the trading capability, the quality and reliability of the brokerage services, the value of the research and investment information provided by the broker-dealer selected, and other factors in addition to the commission rate payable on the trade. Note that Birch Hill may agree to brokerage commissions that are higher than those that might be negotiated otherwise to obtain research services that may benefit Birch Hill clients. These research services must provide Birch Hill with lawful and appropriate assistance in performing our investment decision responsibilities or trade

execution, and the commissions paid must be reasonable in relation to the services received. The term “soft dollars” generally refers to using brokerage commissions to pay for research services.

These “soft dollars” pay for research services that include written reports on individual companies, the economy and the overall stock and bond markets and may also include meetings with corporate managements and brokerage firm security analysts.

These soft dollar arrangements create a potential conflict of interest between Birch Hill and its clients, because Birch Hill’s decisions to use a particular broker-dealer may in part be based on the broker-dealer’s ability and/or willingness to provide certain research products and services, and not merely on the broker-dealer’s ability to provide the best trade execution for the best price on a particular trade in a client account. Although Birch Hill believes that its client accounts benefit from many of the brokerage and research products and services obtained with soft dollars generated by client trades, some client accounts may not benefit. Brokerage and research products and services generated by trading on behalf of one client account may benefit other accounts that have not contributed to the cost. Birch Hill uses research obtained through soft dollars commissions to benefit all its clients, not just the clients for whom the order is being executed.

Using soft dollars to pay for research presents an additional conflict, because the client is paying for the research that in some cases Birch Hill may be able to obtain by paying for it itself. Some clients who have directed Birch Hill to use a specific broker-dealer and do not participate in soft dollar arrangements may benefit from soft dollars paid by other clients. They receive this benefit even though they do not generate trades that help pay for these resources.

#### Periodic internal review

Birch Hill portfolio managers and traders periodically review the use of soft dollars to ensure the broker-dealers used are providing best execution and that the commissions paid are reasonable in relation to the value of the brokerage and research services provided. The periodic review of soft dollars considers the quality of research provided and verifies that the research or service is eligible for soft dollar use. To qualify for soft dollar use, Birch Hill verifies that the research provides us with appropriate assistance in performing our investment decision responsibilities and that the commissions paid are reasonable in relation to the services received.

#### Trade Errors

As a fiduciary, Birch Hill is expected to exercise the highest degree of care and diligence with respect to client assets and appropriately correct errors incurred because of human mistakes, systems limitations, breakdowns in communication, or any other reasons that expose Birch Hill or any client to potential risks associated with a trade error. We have a fiduciary duty to identify, communicate, negotiate, and resolve trade errors in a manner consistent with the best interests of our clients, regardless of the cause or origin of the error or whether it is attributable to Birch Hill or a third party. Trade errors shall be corrected promptly. Birch Hill shall determine the appropriate remedial action and document the actions taken. Trade errors attributable to a third party, including the executing broker, shall be corrected by the third party at the third party’s expense. Birch Hill shall not absorb or otherwise be responsible for losses resulting from such errors. Birch Hill shall compensate the client for any trading errors made by Birch Hill that harm the client. Birch Hill shall not benefit from any trading errors that result in a financial benefit.

#### Charles Schwab and Fidelity

Birch Hill may recommend that clients establish brokerage accounts with Fidelity or Charles Schwab to maintain custody of clients’ assets and to effect trades for their accounts. The client decides whether to retain Fidelity or Schwab as the qualified custodian and signs a separate custodial agreement with either. Birch Hill is independently owned and operated and not affiliated with either firm. In recent years

most of our new clients have selected Schwab or Fidelity as their qualified custodian and directed broker, and many existing clients have switched to them from other broker-dealers and custodian banks.

Birch Hill receives benefits as a result of clients retaining Schwab or Fidelity as custodian, and these arrangements present a conflict. They provide Birch Hill with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as they meet a minimum total asset amount. The brokerage services provided include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Fidelity and Schwab may charge separately for custody services, including commissions and other transaction-related or asset-based fees for trades that are either executed or settled into Schwab or Fidelity accounts.

These firms may also provide Birch Hill other products and services that benefit Birch Hill but may not directly benefit its clients' accounts. Products and services that assist Birch Hill in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Birch Hill's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting, including pricing of securities.

They may also offer other services intended to help Birch Hill manage and further develop its business enterprise, including educational conferences and events, technology, compliance, and practice management. In some cases, a third-party vendor will be used to provide these services. Birch Hill may receive a discount or waived fees for some of these services.

In the case of a trading error by Birch Hill that results in a profit or loss of less than \$100, these firms may have an exception for small errors where they will absorb the profit or loss to avoid the time and administrative expense of correcting the trade.

In evaluating whether to recommend that clients retain Schwab or Fidelity as custodian, Birch Hill may consider the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by Fidelity or Schwab.

#### Aggregated Trades

When possible and appropriate, Birch Hill will aggregate open orders for multiple client accounts in an effort to improve execution for all participating client accounts. The accounts in the aggregated order, and their allocable portion of the trade, are determined before the trade is placed. Each account that participates in an aggregated security order generally will participate at the average share price for such order, with transaction costs shared pro rata based on each account's participation.

At times, Birch Hill may allocate orders in a manner that differs from pro rata when Birch Hill believes the allocation to be fair, to seek to avoid fixed income trades that otherwise would cause the account to hold odd lots.

#### Order of Trade Execution

When Birch Hill has discretion in selecting a broker, these trades will tend to be executed prior to

trades where the client has directed the use of a specific broker.

In addition, Birch Hill will consider the following when determining the order trades are submitted for execution:

- ability to aggregate same security trades
- time of entry
- execution strategy (i.e., limit orders)

Other factors such as the degree of automation, responsiveness of a directed broker, size of the trade, other trades on the blotter, aggregated orders, and other considerations may affect the order in which trades are submitted for execution.

Birch Hill does not direct brokerage to firms in return for referrals of new business prospects.

#### Cross Trading of Bonds

Birch Hill does not Cross trade bonds.

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

Accounts under Birch Hill's management are monitored and managed by the primary portfolio manager, with a backup portfolio manager assigned. The primary portfolio manager is responsible for working with the client in determining the account objective and appropriate level of risk, using Birch Hill's investment approach to construct a portfolio that best meets the needs of the client, and monitoring and maintaining the portfolio to ensure it continues to meet the client's needs and goals. The Birch Hill internal accounting systems are used by portfolio managers to track client accounts. Investment changes are made when appropriate, as changing objectives, the financial markets, and individual account holdings might dictate. Each client is unique with their own objectives, goals, and risk levels. Investment changes and timing of those changes reflect the best interest for each individual client distinct circumstances.

Each client account is subject to a formal review at least once each year. The primary portfolio manager presents the account to the review group that includes the backup portfolio manager and other members of the Account Review Committee.

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

Birch Hill has entered into referral agreements with retired members of Birch Hill Investment Advisors LLC. Birch Hill pays solicitors referral fees in accordance with the requirements of Rule 206(4)-3 of the Advisors Act, which prohibits an investment advisor from sharing its fee or making a cash payment for recommending the advisor unless certain conditions are met. Birch Hill has adopted procedures to follow and ensure compliance with Rule 206(4)-3 of the Advisors Act for this or any future solicitor type of arrangements.

Compensation received by Birch Hill employees, including bonuses, if any, is based upon a variety of factors. One such factor that may be considered is whether an employee has assisted in the development of new accounts. Therefore, employees may have a financial interest in the selection of Birch Hill by potential clients. Compensation paid to these employees does not affect the fees paid by the client.

Birch Hill provides office space and some clerical assistance to retirees of Birch Hill. These individuals

may provide new business leads to Birch Hill, in addition to guidance in dealing with clients, some of whom were their clients at a point in time. Referral fees may be paid to these individuals in accordance with Rule 206(4)-3 of the Advisors Act.

Birch Hill works with custodians, attorneys, accountants, and other professionals in providing a service to our clients. In response to an inquiry from a client, we may refer a client to one or more of these professionals if we believe the professional will provide the service sought by the client. These individuals and firms may also occasionally refer clients to Birch Hill. No referral fees may be paid to these individuals.

## **Item 15 Custody**

All client accounts are held in custody by a qualified custodian retained by the client. Clients receive reports of assets and transactions directly from the custodian not less than quarterly.

In addition to the reports clients receive from their qualified custodian, as part of the communication plan structured for each client, Birch Hill may provide clients with account statements and reports that are generated by our internal accounting system, which tracks account activity based on an electronic download from the custodian. These internal reports are used for periodic written communications such as quarterly letters, in-person client meetings, and other periodic communications. Clients are urged to review the statements provided by the qualified custodian and compare them to statements and reports provided by Birch Hill. The statements from the qualified custodian are the official record of client accounts.

Birch Hill is deemed to have custody of client assets where Birch Hill is authorized to debit its management fees directly from the client's custodial account even though the assets in those accounts are maintained separately with a qualified custodian. Birch Hill is also deemed to have custody of client assets where one of its employees has been requested by a client to serve as trustee. Other special arrangements, bill paying and standing letters of authorization for example, create a custody relationship.

If a member or employee of Birch Hill is a trustee of client assets, we must note in our ADV Part I filing with the SEC that we have custody of these client assets, and these accounts are subject to a surprise audit by an independent accounting firm retained by Birch Hill. Birch Hill may also have additional potential liability regarding these trust accounts, due to the trustee's exercise of discretion and other responsibilities that are beyond the scope of the normal investment advisory role. Accordingly, Birch Hill may seek additional annual compensation of up to  $\frac{1}{4}$  of 1% of the market value of the trust when a principal serves as trustee.

## **Item 16 Investment Discretion**

Almost all investment advisory agreements with our clients grant Birch Hill investment discretion over the account, allowing Birch Hill to make investment changes without prior approval of the client. Some clients may require prior consultation before investment decisions are made, but Birch Hill discourages this practice.

Birch Hill manages investment portfolios to attain the investment goals and objectives for each client. Birch Hill professionals work with each client to define their investment horizon, to understand how much they will spend and when, and to assess an acceptable level of volatility. The articulated investment strategy incorporates portfolio growth objectives and expected financial needs.

At the request of the client, Birch Hill manages some client portfolios with significant investment

restrictions. For example, for some clients we may construct and manage a portfolio that may have low tax cost securities and a directive to minimize investment gains. Other clients may be actively engaged in a business or venture, and Birch Hill will tailor their investment portfolio to reduce exposure to other companies in the same industry, or construct a portfolio focused on lower risk and volatility to offset some of the risk in the client's business. There is a risk that significant investment restrictions imposed by clients will adversely affect the performance of the account.

## **Item 17 Voting Client Securities**

Proxies are an asset of a client account, which should be treated by Birch Hill with care and diligence. In accordance with its fiduciary duty to its clients and Rule 206(4)-6 of the Investment Advisors Act, Birch Hill has adopted and implemented written policies and procedures governing the voting of client securities. The Birch Hill Investment Advisory Agreement, executed by every client and by a representative of Birch Hill, allows a client to delegate to Birch Hill the authority to vote proxies. If the client retains the authority to vote proxies, Birch Hill directs the qualified custodian (bank or broker) to mail to the client, or such other person as the client designates, any proxy materials received by it.

Birch Hill employs the services of an independent third-party proxy service firm to make voting recommendations and vote proxies in accordance with general guidelines approved by Birch Hill. Policy guidelines and procedures of the third-party firm are reviewed to assure they are consistent with Birch Hill's own internal philosophies regarding corporate governance and other proxy issues. If the third-party proxy service firm does not provide a recommendation for a specific security, the proxy will be voted in accordance with the management's recommendations. Even though a third-party firm is retained for these purposes, Birch Hill retains final authority for all proxy voting.

Birch Hill may have a conflict of interest in voting a particular proxy. A conflict of interest could arise, for example, because of a business relationship with a company, or a direct or indirect business interest in the matter being voted upon, or because of a personal relationship with corporate directors or candidates for directorships. Whether a relationship creates a material conflict of interest will depend upon the facts and circumstances. The Chief Compliance Officer shall document the way proxies involving a material conflict of interest have been voted as well as the basis for any determination that Birch Hill does not have a material conflict of interest in respect of a particular matter. Such documentation shall be maintained with the records of Birch Hill. Birch Hill has not identified any material conflicts of interest in connection with past proxy votes.

We will send you a copy of the Birch Hill Proxy Voting Policies and Procedures if you would like one. In addition, upon request, Birch Hill will provide to any client information regarding how their proxies were voted. A best effort will be made to accommodate client requests to vote in a particular manner at any time upon written notice.

In addition to voting of securities, Birch Hill may also receive notice of class actions for securities held in client accounts. When a recovery is achieved in a class action, investors who owned shares in the company subject to the action have the option to either: (1) opt out of the class action and pursue their own remedy; or (2) participate in the recovery achieved via the class action. Participating in the recovery involves the completion of a Proof of Claim form which is submitted to the Claims Administrator. After the Claims Administrator receives all Proof of Claims, it dispenses the money from the settlement fund to those persons and entities with valid claims.

Birch Hill has retained a third-party firm to handle all class actions for securities held in client accounts. For their services, this third party receives 15% of the proceeds of the claim as a contingency fee, subtracted from the award to the client. Birch Hill believes it is in the interests of our clients to retain this firm. Birch Hill will benefit as well, as we will no longer have to try to track these class actions,

assemble documentation, collect statements from prior custodians and advisory firms, prepare claims and send them to clients for signature and forwarding. More claims are being filed, including smaller ones and others of which we otherwise would not likely be aware. This third-party provider will not be required to provide as much documentation as we have in the past, making the effort easier and more likely to result in an award to the client.

## **Item 18 Financial Information**

Pursuant to Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain information about their business practices that might serve as material to the client's decision in choosing an investment adviser. As of the date of this filing, Birch Hill has no financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients.