

## **APPENDIX I TO BROCHURE**

### **Item 1 – Cover Page**

# **NORTH STAR INVESTMENT MANAGEMENT CORPORATION**

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**Date of Wrap Fee Program Brochure: March 20, 2023**

This Wrap Fee Program Brochure provides information about the qualifications and business practices of North Star Investment Management Corporation (hereinafter referred to as “North Star,” the “Firm,” or “we”). If you have any questions about the content of this Brochure, please contact the Firm’s Chief Compliance Officer, Andrew Eisenberg, at the telephone number provided above or email us at [aeisenberg@nsinvest.com](mailto:aeisenberg@nsinvest.com).

The information in this Wrap Fee Program Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

North Star is registered as an investment adviser with the SEC. The fact that North Star is “registered” does not imply any level of skill or training. You should not make a determination to hire or retain any adviser based solely on the fact that the adviser is registered.

Additional information about North Star is available on the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with North Star who are registered as investment adviser representatives of the Firm.

## **Item 2 – Material Changes**

This Item 2 summarizes only the material changes that were made since the Wrap Fee Program Brochure issued on March 11, 2022. It is not a summary of the Brochure in its entirety. Following is a listing of the material changes to this Wrap Fee Program Brochure:

1. In December 2022, North Star Investment Management Corp. became the interim advisor to the Walthausen Small Cap Value Fund. We amended Items 4D, 6B, 9B and 9C to address this change.

You may obtain a copy of our current Wrap Fee Program Brochure any time by contacting our Firm's Chief Compliance Officer at the telephone number listed on the cover page of this Brochure.

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## Item 4 – Advisory Business

### A. Services

WRAP PROGRAM. Through a Wrap Fee Program (the “Program”) North Star provides personalized discretionary investment management services to customers of NewEdge Securities, Inc. (a “Program Broker”) for equity and balanced and fixed income portfolios. Clients are asked to provide North Star with certain information with respect to their current financial holdings, investment objectives, risk tolerance, liquidity needs, and time horizon. The Firm will also inquire as to the restrictions the client wishes to impose on the management of the accounts. From the information that is supplied by the client, North Star constructs an investment policy that it believes is suitable for that client. The Program Broker places and/or executes the transactions in the advisory accounts. The Program client gives North Star complete discretionary authority to invest funds without prior consent to each transaction. Accordingly, North Star has the authority to determine the securities to be purchased or sold and the amount of securities to be purchased or sold within the Program account.

### B. Fees

The client pays a “wrap fee” for the advisory services offered by North Star and the execution of transactions in the advisory account by the Program Broker. For such accounts, North Star directs all account brokerage transactions to the Program Broker to prevent incurring additional transaction charges outside of the wrap fee. Generally, the wrap fee for such accounts is charged in accordance with the following fee schedule:

<u>AUM</u>	<u>Balanced and Equity</u>	<u>Fixed Income</u>
Up to \$500,000	2.00%	1.50%
Over \$500,000	1.50%	1.25%

"AUM" means the assets under the management of North Star for a particular client or client account. The fees listed in the schedules above are annualized figures. Fees will be charged quarterly and in arrears. The quarterly fee is based upon the market value of all assets held within the client's account on the last business day of the calendar quarter. Additional deposits to the account are subject to the same fee procedures. The client may be charged a *pro rata* fee in the event the client's service is terminated on a day other than the last business day of the month. In that event, the *pro rata* fee will be due and payable upon termination of the service.

North Star may adjust the fee schedule upon thirty (30) days' prior written notice to the client. In certain instances, fees may be negotiable. A negotiated fee schedule must be pre-approved by a member of the Firm's Senior Management.

The client's account will be debited for the above-mentioned fees. Fees are collected by the Program Broker from the amount of any contribution or transfer, from available cash in the client's account, or by liquidating the client's assets held in the client's account in an amount equal to the fees that are due. The Program Broker remits all or a portion of the wrap fee to North Star. Typically, NewEdge Securities, Inc. will remit 0.50% (annualized) of the wrap fee to North Star and keeps the remainder of the wrap fee for execution services.

WRAP ACCOUNTS SPONSORED BY OTHER FINANCIAL INSTITUTIONS. North Star is a portfolio manager for certain wrap fee programs sponsored by financial institutions or broker/dealer

firms that may make available such programs to their customers. Generally, annualized fees charged to such financial institutions for the managed accounts are 0.50% of the AUM.

**FEE CONSIDERATIONS.** In determining whether to establish a Program account, the client should be aware that the overall cost to the client of the Program may be higher or lower than the client might incur by purchasing separately the types of securities available in the Program. The Program costs may be more particularly when there are a low number of transactions. The Program may not be suitable for clients whose accounts have fewer than a certain number of transactions per year or for clients who simply want to purchase individual securities. To meaningfully compare the cost of the Program with unbundled services, the client should consider the portfolio turnover rate as discussed with North Star, North Star's standard advisory fees for non-wrap accounts, which are set forth on North Star's Brochure, and brokerage commissions that would be charged by the Program Broker or by other broker/dealers.

Additionally, North Star might not be able to obtain the most favorable price if it is unable to aggregate or batch the trades from these accounts with other client trades. Clients should also understand that custody of a client's assets by the Program Broker may limit or eliminate North Star's ability to obtain best price and execution of transactions in over-the-counter securities purchased or sold in the Program account.

**LOWER FEE DISCLOSURE.** North Star's wrap fees may be higher than charged by other investment advisers offering comparable services.

### **C. Other Fees**

In addition to the wrap fee, other fees may apply. The wrap fee does not include: (1) sales loads, sales charges, management fees, administrative fees, account maintenance fees, and other fees that may be charged by the custodian (if any), and/or by the distributor, issuer or fund issuing the securities purchased and sold within the Program accounts; (2) administrative fees, such as wire fees, charged by the Program Broker or any clearing firm utilized by the Program Broker for the clearance and settlement of the trades executed in the advisory accounts; (3) certain odd-lot differentials; (4) transfer taxes; (5) postage and handling fees; or (6) advisory fees and expenses of mutual funds (including money market funds), closed-end investment companies, exchange-traded funds ("ETFs"), or other managed investments, if any, that are held in the Program account. The client is solely responsible for paying all such charges.

When the Program Broker acts as the client's agent in purchasing securities in the over-the-counter market, the client should be aware that the wrap fee does not cover certain costs associated with such securities transactions. For these transactions, the Program Broker must approach a dealer or market maker to purchase or sell the security and the client will be responsible for paying the fees, commissions, or other charges for these transactions.

In addition, the client should understand that mutual funds and certain ETFs pay management fees to their investment advisers, which reduce their respective assets. To the extent that the client's portfolio has investments in mutual funds or ETFs, the client may pay two levels of advisory fees for the management of their assets: one directly to North Star, and the other indirectly to the managers of the mutual funds and ETFs held in the Program portfolios.

Clients should understand that mutual funds or closed-end investment companies purchased for a Program account may pay the Program Broker a proportionate share of certain additional fees or

expenses collected from the client (e.g. 12b-1 or shareholder servicing fees). Such fees will be retained by the Program Broker.

#### **D. Compensation**

The investment adviser representative who recommends the Program to the client receives compensation as a result of the client's participation in the Program. The amount of this compensation may be more than what the investment adviser representative would receive if the client paid separately for investment advice, brokerage, and other services. The investment adviser representative, therefore, may have a financial incentive to recommend the Program over unbundled services.

North Star serves as the investment adviser to the North Star Mutual Funds (defined in Item 6.B below) and is the interim advisor for the Walthausen Small Cap Value Fund. In consideration of the investment advisory services provided by North Star to the North Star Mutual Funds and the Walthausen Small Cap Value Fund, generally, North Star is entitled to receive from the North Star Mutual Funds and the Walthausen Small Cap Value Fund an investment advisory fee up to 1.00% per annum of each fund's average net assets computed daily and paid monthly.

Managed Fees do not include separate professional fees provided by North Star or its affiliates. These are two separate fees at North Star and the client may receive an invoice for management services and a separate invoice for professional services (e.g., financial planning and/or accounting services).

#### **E. Termination**

The Program may be terminated either by North Star or by the client upon thirty (30) days' written notice to the other party.

### **Item 5 – Account Requirements and Types of Clients**

Generally, the required minimum account value for subscribing to the Program is US\$100,000. If the value of a client's account declines below \$100,000 during the advisory relationship, North Star reserves the right to require the client to deposit additional monies or securities to bring the account value up to the \$100,000 minimum. The Firm may terminate the advisory relationship for failure to maintain the minimum account value. In some special cases, account minimums may be waived or negotiated.

North Star offers its Program to individual and institutional investors as well as to pension and profit-sharing plans, trusts, estates, and charitable organizations.

### **Item 6 – Portfolio Manager Selection and Evaluation**

#### **A. North Star as Portfolio Manager**

North Star serves as the Portfolio Manager for each Program account. North Star does not select other investment advisers to serve as a Program Manager.

## **B. North Star's Other Services**

North Star offers other advisory services as described below and as are more fully described in its Brochure:

**MANAGED ACCOUNTS.** North Star provides personalized discretionary investment management services on an unbundled basis. Clients subscribing to these services are asked to provide North Star with certain information with respect to their current financial holdings, investment objectives, risk tolerance, liquidity needs, and time horizon. The Firm will also inquire as to the restrictions the client wishes to impose on the management of the accounts. From the information that is supplied by the client, North Star constructs an investment policy that it believes is suitable for that client.

**FINANCIAL PLANNING.** North Star offers financial planning services. When subscribing to the financial planning services, North Star conducts a financial overview to develop a tailored investment plan for the client. In an effort to gain a comprehensive understanding of the client's present and long-term financial needs and goals, North Star elicits from the client certain information such as the client's assets, liabilities, income, expenses, insurance coverage, retirement planning and estate planning objectives, current investment and savings activities, tax status, risk tolerance, time horizon, and investment objectives, philosophy and preferences. North Star evaluates this information to develop an investment plan, which includes investment recommendations. Upon delivery of the advisory report or upon the close of the meeting wherein the advisory recommendations are presented to the client, North Star does not have an ongoing responsibility to monitor the client's accounts or make recommendations to the client. North Star does not have the responsibility to arrange any securities transaction but may arrange one or more transactions upon the client's instruction. North Star does not provide legal or tax advice. Clients are encouraged to consult with their legal or tax attorneys or advisers regarding legal and tax matters.

**FINANCIAL PLANNING FOR RETIREMENT PLANS.** North Star also offers financial planning services to employer-sponsored retirement plans. After obtaining from the client pertinent information regarding the Plan, North Star will make recommendations regarding the selection of the Plan's investment options. Upon the client's request, North Star will provide reasonable enrollment assistance to Plan Participants in selecting Plan investments. North Star will also provide, on a reasonable basis and upon request of a Plan Participant, guidance to the Plan Participant in connection with the investment selection. North Star will not be responsible for the active and continuous monitoring of the Plan's assets. North Star will not have discretionary authority over Plan assets.

**FAMILY OFFICE AND FINANCIAL CONCIERGE.** North Star provides a suite of family office services, including trustee services, designed to meet the particular needs of high net worth investors and affluent families. These services are comprehensive and ongoing in nature and entail a level of involvement that exceeds traditional investment management and financial planning services. The specific types of services provided are dictated by the client's unique needs. In this capacity, we may provide, for example, any one or more of the following types of services: fiduciary administration, personal financial services, estate planning, budget and cash flow analysis, retirement planning, insurance planning, family governance, philanthropic planning, survivorship planning, intergenerational wealth transfer and multigenerational beneficiary planning, business succession planning, and fiduciary liaison services. If the client wishes to implement any investment recommendation or advice communicated by us, the client may select

any brokerage firm, private investment firm, insurance agency, broker, dealer, bank or any other financial institution to implement those recommendations or that advice.

**UNIFIED MANAGED ACCOUNT MANAGER.** North Star provides to Greenrock Research, Inc. (“Greenrock”) a report, generated at least monthly, of positions in a small cap model portfolio. Greenrock is a registered investment adviser and consulting firm that provides portfolio solutions for other registered investment advisers and their clients and may use these reports in the provision of its advisory services to its clients. North Star and Greenrock are not affiliated. North Star may manage small cap portfolios for its advisory clients using the positions communicated to Greenrock or, depending on the needs of North Star’s advisory client, using positions that are different than those communicated to Greenrock.

**INVESTMENT PRODUCT TYPES.** Generally, the Firm’s investment advice is confined to the following universe of securities and products:

- Exchange listed securities
- Securities traded over-the-counter
- Securities issued by foreign issuers
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- U.S. government securities
- Municipal securities
- Mutual funds (foreign and domestic) (the Firm serves as the investment adviser to the North Star Opportunity Fund (“NSOF”), the North Star Micro Cap Fund (“NSMCF”), the North Star Bond Fund (“NSBF”), and the North Star Dividend Fund (“NSDF,” collectively with the NSOF, the NSMCF, and the NSBF, the “North Star Mutual Funds”) and serves as the interim investment advisor for the Walthausen Small Cap Value Fund)
- Options contracts on securities
- Structured products, including principal-protected notes
- Interests in hedge funds

#### **C. Management of Wrap Program**

There are no material differences between how North Star manages client’s portfolios in the Program and how it manages the “Managed Accounts” described above.

#### **D. Performance-Based Fees and Side-By-Side Management**

Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of an account or portfolio. At this time, we do not charge performance-based fees for the management of any accounts or funds.

## **E. Methods of Analysis**

When formulating investment advice, North Star generally utilizes one or more of the following security analysis methods:

1. **Fundamental Analysis.** Fundamental analysis is a method of attempting to measure a security's underlying value and potential for future growth (its intrinsic value) by examining economic, financial and other qualitative and quantitative factors directly related to the issuer/company as well as company-specific factors (like financial condition, management, and competition). The adviser compares the intrinsic value with the security's current price, with the aim of determining what position to take with the security (i.e., buy, sell or hold).
2. **Technical Analysis.** Technical analysis is a method of evaluating securities by researching the demand and supply based on recent trading volume, price studies, as well as the buying and selling behavior of investors. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts or computer programs to identify and project price trends.

North Star does not represent, warrant, or imply that any analysis method employed by the Firm can or will successfully identify market tops or bottoms. No analysis method has been proven to insulate clients from losses due to market fluctuations, corrections or declines.

## **F. Investment Strategies**

Investment strategies may include long-term and short-term purchases, short selling, frequent trading, buying on margin, and option writing, including covered options, uncovered options or spreading strategies. The particular strategies employed will depend upon the individual needs and risk tolerance of the client. A short description of each of these strategies follows:

- **Buy and Hold.** Generally, a long-term purchase is a purchase of a security or investment product with a view to holding the security or product for more than one year. Trade commissions are reduced by buying and selling less often and taxes are often reduced or deferred by holding positions longer.
- **Short-term purchases.** A short-term purchase is a purchase of a security or investment product with the intent of possibly selling it within one year of its purchase.
- **Short-term trading.** Short-term trading focuses on opportunistic trades – holding investments for only brief periods. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.
- **Short sales.** Short selling is a technique used to profit from the falling price of a stock. Short selling can translate into high portfolio volatility.
- **Margin transactions.** An investor may buy securities with money borrowed from the broker/dealer. The borrower will be required to pay interest on the loan.
- **Option writing.** Investors can sell options in order to obtain additional income from premiums paid by the option buyer. The positive potential of this strategy is limited because the most money the investor can earn is the amount of the option premium.

- Uncovered Options and Spreading strategies. Uncovered options trading can be more risky than writing covered call options. The potential loss is theoretically unlimited. An option spread involves combining two different option strikes as part of a limited risk strategy.

The concept of asset allocation, or spreading investments among a number of asset classes (e.g., large cap stocks vs. small cap stocks; corporate bonds vs. government debt instruments), plays a prominent role in executing an investment strategy. Asset allocation seeks to achieve diversification of assets in order to reduce the risk associated with investing all or a significant portion of a client's portfolio in one asset class. We believe that risk reduction is a key element to long-term investment success.

## **G. Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will either be suitable or profitable for a client's investment portfolio. Past performance is not indicative of future results. A client should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. North Star cannot assure that the investment objectives of any client will be realized. Carefully review the risks described in section 8C of the Brochure.

Prior to entering into a wrap program, a client should carefully consider committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis.

## **H. Voting Client Securities**

North Star exercises proxy voting authority over certain clients' securities. When voting proxies, North Star will not be influenced by external sources whose interests conflict with the interests of North Star's advisory clients. Any conflict of interest will be resolved in the interests of the advisory clients. If, in voting shares, North Star identifies a material conflict of interest between North Star's interests (including those of its senior personnel) and those of the advisory clients, North Star will disclose the conflict to the relevant client(s). In such cases, North Star will defer to the voting recommendation of an independent third party provider of proxy services, send the proxy directly to the relevant client(s) for a voting decision, or take such other action in good faith which would protect the interests of the advisory clients.

North Star has adopted general guidelines for voting proxies. These guidelines are not necessarily determinative in all cases and North Star may cast votes contrary to the general guidelines, should the facts and circumstances warrant. In all cases, North Star will, in good faith, vote the proxies in the advisory clients' interests. A non-exhaustive list of the general guidelines is summarized below:

1. North Star should give great weight to the recommendations of the company's management so long as the ratification of the management's position would not adversely affect the investment merits of owning that company's shares.
2. North Star supports an independent board of directors, and prefers that key committees such as audit, nominating, and compensation committees be comprised of independent directors.
3. North Star opposes ratification of auditors when there is clear and compelling evidence of accounting irregularities or negligence attributable to the auditors.

4. A company's equity-based compensation plan should be in alignment with the shareholders' long-term interests.
5. North Star opposes anti-takeover measures.
6. Corporate restructuring proposals are also subject to a thorough examination on a case-by-case basis.
7. North Star will generally vote in favor of employee stock ownership plans, employee stock purchase plans, and 401(k) plans.
8. North Star opposes dual-class capital structures to increase the number of authorized shares where that class of stock would have superior voting rights.
9. North Star supports management's position relating to social, environmental and ethical issues unless North Star believes that supporting the position will materially and adversely affect the economic interests of its advisory clients.

You may obtain a copy of North Star's Proxy Voting Policies as well as North Star's voting record for your shares by writing to North Star and requesting a copy.

## **Item 7 – Client Information Provided to Portfolio Managers**

Clients in the Program are asked to provide North Star with certain information with respect to their current financial holdings, investment objectives, risk tolerance, liquidity needs, and time horizon. The Firm will also inquire as to the restrictions the client wishes to impose on the management of the accounts. Clients should communicate any material changes in their financial or risk profile to North Star. At least annually, North Star reviews with the client his/her financial and risk profile to determine whether any material changes should be made.

## **Item 8 – Client Contact with Portfolio Managers**

Clients in the wrap Program may contact North Star during regular business hours to consult with the Program Manager.

## **Item 9 – Additional Information**

### **A. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events related to the adviser or the adviser's management. Neither North Star nor any of its management personnel has been subject to any such legal or disciplinary events.

### **B. Other Financial Industry Activities and Affiliations**

1. The Firm is neither registered nor has an application pending to register as a securities broker/dealer. Certain management persons of the Firm are registered as representatives of NewEdge Securities, Inc., an unaffiliated broker/dealer. (Certain investment adviser representatives of North Star are also registered representatives of NewEdge Securities, Inc.)

2. Neither the Firm nor any management person of the Firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing entities.
3. The Firm has arrangements that are material to its business with the following affiliated or related entities.
  - a. North Star Benefits, LLC. North Star and North Star Benefits, LLC (“NSB”), an insurance agency, are under common control. Certain investment adviser representatives of North Star are also associated persons of NSB. The owner of North Star has an inherent financial interest in recommending the use of NSB as an insurance source. To the extent that NSB or its associated persons receive commissions or other compensation for the purchase of insurance products recommended by North Star, there is a conflict of interest.
  - b. North Star Mutual Funds. North Star serves as investment adviser to the North Star Mutual Funds and receives compensation from the funds for the advisory services rendered. North Star has an inherent financial interest in soliciting its advisory clients to invest in the North Star Mutual Funds and a portion of a client's portfolio may be invested in the North Star Mutual Funds.
  - c. Walhausen Small Cap Value Fund. North Star serves as interim investment adviser to the Walhausen Small Cap Value Fund and receives compensation from the funds for the advisory services rendered. North Star has an inherent financial interest in soliciting its advisory clients to invest in the Walhausen Small Cap Value Fund and a portion of a client's portfolio may be invested in the Walhausen Small Cap Value Fund.

To help mitigate the above-described conflicts, the Chief Compliance Officer or other designated supervisor continually monitors account activity to ensure that dually-registered representatives are not placing trades or recommending investments for the purpose of generating commissions or other fees. Transactions must complement the client’s investment strategy. Comprehensive reviews of the advisory accounts are performed at least annually.

4. While we do not generally recommend or select other investment advisers for our clients, we might do so as part of the family office and financial concierge services. We do not receive compensation from any investment adviser we recommend or select.

#### **C. Code of Ethics**

North Star may purchase in the various client portfolios securities of issuers that are also purchased, sold or held by North Star and/or its officers, directors, associates, employees and affiliates and their pension or retirement plans. Because the investment objectives and personal circumstances of those persons may differ from those of the Program clients, the timing of such transactions may not coincide with the timing of portfolio transactions for clients. In addition, North Star and its principals, associates, employees, affiliates and their retirement accounts may purchase or sell securities that North Star does not recommend to or include in client portfolios because such securities do not meet the investment guidelines established for the client’s portfolios. In such instances, North Star is not obligated to offer clients the opportunity to invest or purchase such securities.

North Star has adopted a Code of Ethics that sets forth the governing ethical standards and principles of the Firm. It also describes North Star’s policies regarding the following: the

protection of confidential information, including the client's nonpublic personal information; the review of the personal securities accounts of certain personnel of the Firm for evidence of manipulative trading, trading ahead of clients, and insider trading; trading restrictions; training of personnel; and, recordkeeping. All supervised persons at North Star must acknowledge the terms of the Code of Ethics upon hire and as amended.

Subject to satisfying the Firm's policies and applicable laws, Firm personnel may trade for their own accounts in securities that are recommended to and/or purchased for Firm's clients. The Code of Ethics is designed to permit personnel to invest for their own accounts while assuring that their personal transaction activity does not interfere with making decisions in the best interest of advisory clients or implementing those decisions. Neither the Firm nor any associated person of the Firm who (1) has access to nonpublic information regarding clients' securities transactions, (2) is involved in making securities recommendations to clients, or (3) has access to securities recommendations that are not public (collectively, the "Access Persons") is permitted to trade in or engage in a securities transaction to his or her advantage over that of a client. Access Persons are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. Access Persons may not execute transactions in their personal accounts ahead of a client's transaction in the same security unless certain circumstances exist. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored by the Firm's Chief Compliance Officer or other Registered Principal in an effort to prevent conflicts of interest between North Star and its Program clients.

Our clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting the Chief Compliance Officer at the address or telephone number specified on the cover page and requesting a copy.

The Firm's shareholders have an inherent financial interest in directing investments in the North Star Mutual Funds and the Walhausen Small Cap Value Fund and there is a conflict of interest. The Chief Compliance Officer reviews all such investments to ensure that such investments are consistent with the risk profile and investment objectives of the separately managed account.

#### **D. Account Reviews**

Program accounts are reviewed at least monthly by North Star. Reviews are also performed if the total value of the assets in the Program account declines by 10 percent or more in any 30-day period. Mr. Gottlieb, President of North Star, and/or Mr. Kuby, Chief Investment Officer of North Star regularly analyze market and economic activity. The allocations of the portfolios are adjusted at their discretion according to the investment policy statement generated for the client and in accordance with the client's investment objectives, risk tolerance, and financial needs.

#### **E. Reports to Clients**

The Program Broker (or its clearing firm) will notify the client of any account activity by delivering a confirmation of the transaction to the client. In addition, North Star will provide each Program client with a written report at least quarterly. The wrap fee calculation is also provided to clients on a quarterly basis.

## **F. Client Referrals and Other Compensation**

### **1. Economic Benefits**

Certain management persons and investment adviser representatives are registered with NewEdge Securities, Inc. and may receive compensation from NewEdge Securities, Inc. in connection with transactions in the advisory accounts.

### **2. Referral Fees**

- a. **For the Introduction of Clients to North Star.** North Star pays referral fees to persons or entities for the referral or introduction of advisory clients to the Firm. There is no differential in the fees charged to the client by North Star attributable to the arrangement between the referring party and North Star. In other words, North Star will not charge a client who is referred by another party any fees other than the fees typically charged to other clients. The amount of the referral fee is determined on a case-by-case basis. North Star has referral arrangements with multiple persons or entities whereby North Star, in general, pays to the referring party 25% to 50% of the advisory fees generated by the accounts introduced by the referring party. As of the date of this Brochure, North Star has referral arrangements with NewEdge Securities, Inc., DDS Investment Management, and Sorinsky & Associates. After the effective date of this Brochure and prior to date on which the next Brochure is issued, North Star may enter into referral arrangements with other parties not listed in this Section 9.F(2) whereby North Star pays a one-time or ongoing referral fee to a referring party for the introduction of clients to North Star. In all such cases where a referral fee is paid, the client will receive a document identifying the referring party and describing the fee arrangement. Generally, North Star will continue to pay the referral fee for so long as the client is an advisory client of North Star.
- b. **For the Introduction of Clients to Mr. Schwerin and North Star.** Mr. Matthew Schwerin is an investment adviser representative of North Star and also serves as President of the Board of Directors of Flanagan State Bank (“FSB”), which is a subsidiary of Hometown Financial Group (“HFG”), which, in turn, is wholly-owned by Mr. Schwerin’s family. HFG and FSB refer clients to Mr. Schwerin and North Star and, in return, Mr. Schwerin shares with FSB a portion of his income from North Star. HFG and FSB have an inherent financial interest in recommending Mr. Schwerin’s services and Mr. Schwerin benefits from such referrals both in his capacity as an investment adviser representative of North Star and in his capacity as an affiliated person of FSB.
- c. **For the Referral of Investors into the Managed Funds.** North Star has entered into an agreement with Michigan-based Regal Investment Advisors, LLC (“Regal”), whereby North Star will pay to Regal a referral fee for the introduction of persons or entities who make an investment into the North Star Mutual Funds or any private funds or similar investment vehicles managed by North Star. Under this agreement, North Star pays Regal an annualized referral fee equal to 30 to 45 basis points of the value of the referred investments. The referral fees are not predicated on the establishment of any advisory account with North Star. Rather, under this arrangement, North Star pays Regal based on the aggregate investments made by Regal’s clients into the North Star Mutual Funds or other funds managed by North Star. The amount payable under the agreement will be proportionately reduced in the event North Star’s investment management fees from the funds are reduced. The referral fee will be paid for so long as North Star receives the

management fee from the applicable fund in which the referred investors invest. Additionally, Mr. Kuby serves on the investment committee of Regal. However, in this capacity, he will not be providing recommendations or investment advice to Regal clients and he will not be formulating any specific investment decisions for Regal client accounts. North Star and Regal are not affiliated or under common control. Mr. Kuby will not receive any compensation from Regal for his service on the investment committee. Clients of Regal should review Regal's Brochure for applicable disclosures.

#### **G. Financial Information**

We are required in this Item to provide you with certain information or disclosures regarding our financial condition. Following is the information responsive to this Item:

1. The Firm does not require prepayment of more than \$1200 in fees six months or more in advance.
2. There are no financial conditions or commitments that are likely to impair the Firm's ability to meet any contractual or fiduciary commitment to our clients.
3. The Firm has not been the subject of a bankruptcy petition.