

**Item 1 – Cover Page**



**PATHSTONE**

10 Sterling Blvd, Suite 402  
Englewood, NJ 07631  
(201) 944-7284

<http://www.pathstone.com>

March 30, 2023

This Brochure provides information about the qualifications and business practices of Pathstone Family Office LLC, doing business as Pathstone. If you have any questions about the contents of this Brochure, please contact us at (857) 305-3070 or [compliance@pathstone.com](mailto:compliance@pathstone.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.

Pathstone is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain an Adviser.

Additional information about Pathstone Family Office also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pathstone is 151736.

## Item 2 – Material Changes

This Item of the Brochure discusses only specific material changes that are made to the Brochure since the last annual update and provides clients with a summary of such changes. This is our annual updating amendment filing to the Brochure and we had the following changes:

- Disclosures throughout this document has been updated to incorporate the acquired business of Rex Capital Advisors, LLC (CRD# 123796).
- Item 10 has been updated with new affiliated entities.

*(Brochure Date: March 30, 2023,)*

*(Date of Most Recent Annual Updating Amendment: March 30, 2023)*

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Lisandra Wilmott, Chief Compliance Officer at (857) 305-3070 or [compliance@pathstone.com](mailto:compliance@pathstone.com). Our Brochure is also available on our web site [www.pathstone.com](http://www.pathstone.com), also free of charge.

Additional information about Pathstone is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Pathstone who are registered, or are required to be registered, as investment adviser representatives of Pathstone.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	7
Item 6 – Performance-Based Fees and Side-By-Side Management.....	10
Item 7 – Types of Clients .....	11
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9 – Disciplinary Information .....	18
Item 10 – Other Financial Industry Activities and Affiliations .....	18
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	22
Item 12 – Brokerage Practices .....	24
Item 13 – Review of Accounts .....	28
Item 14 – Client Referrals and Other Compensation .....	29
Item 15 – Custody .....	30
Item 16 – Investment Discretion .....	31
Item 17 – Voting Client Securities .....	31
Item 18 – Financial Information .....	32

#### **Item 4 – Advisory Business**

Pathstone Family Office, LLC (“Pathstone”) began business in 2010 and has transacted in several acquisitions over the past several years to significantly expand its business.

On March 31, 2022, Pathstone entered into an asset purchase agreement with Eaton Vance WaterOak Advisors (“WaterOak”) whereby the assets and business operations of the WaterOak Advisors, LLC in Winter Park, FL were acquired. Additionally, effective June. 2022, Pathstone acquired Advisor Partners, LLC in Walnut Creek, CA. After a succession filing, its successor, Advisor Partners II is now an affiliated entity to Pathstone.

In August of 2022, Pathstone entered into an asset purchase agreement with Dyson Capital Advisors, LLC (“Dyson”) whereby the assets and business operations of Dyson were acquired. On March 1, 2023, Pathstone entered into an asset purchase agreement with Rex Capital Advisors, LLC (“Rex Capital”) whereby the assets and business operations of Rex capital were acquired.

Pathstone is wholly owned by Pathstone Holdings, LLC, which is further owned by LM Checkmark Holdings LLC and certain employees and clients of Pathstone. See our response to Item 10 for information about certain financial organizations affiliated with LM Checkmark Holdings LLC.

Pathstone is an integrated wealth management organization providing multi-generational financial management services. Pathstone provides comprehensive wealth management, for individuals, families, and institutions, including private foundations and family entities. Pathstone also provides family office services, including financial planning, consulting, expense management, bill pay, concierge services, philanthropic management, tax compliance/tax return preparation to individuals, investment limited partnerships, pension and profit- sharing plans, trusts, estates, charitable organizations, corporations and business entities.

The aggregate assets managed, advised and/or reported on by Pathstone as of December 31, 2022, are \$38,979,084,290. This figure reflects the \$16,475,907,548 in discretionary and \$8,359,952,390 in nondiscretionary regulatory assets under management, totaling \$24,835,859,938, in addition to \$14,143,224,352 in supplemental client assets we advise or report on. The supplemental amount represents assets for which Pathstone provides advisory and reporting services to clients, which may include personal property, outside investments, and other real assets (e.g., gold, silver, etc.). These supplemental assets are not calculated pursuant to GAAP accounting methods, do not include liabilities, and may be valued based on information provided by the clients and not verified by

Pathstone. The assets acquired from WaterOak are not included herein and shall be updated upon the next annual updating amendment filing.

Pathstone provides its clients with a broad range of services, as described above and in more detail below. Our services may also include tax-related and other non-investment related matters. Pathstone advises private family clients by delivering tailored family-centric wealth management services and solutions which are customized to address each family's wealth dynamic. These tailored services are based on a comprehensive understanding of each client's unique circumstances, asset base, interests and financial goals. Pathstone will assist clients in determining the client's investment needs and objectives, as well as risk tolerance through the use of an asset optimization model for asset allocation and research on investment managers and investments. They are complemented by customized solutions such as succession planning, M&A consultation, trust alignment, investment consolidation and planning, as well as a diverse array of tax-centric estate planning solutions. Clients are permitted to place reasonable restrictions on investing in certain securities and may also request that Pathstone refrain from recommending affiliated private investment funds to them. In addition to the family office services to ultra-high-net worth families, Pathstone also provides investment management services on a discretionary or non-discretionary basis to institutional investors and foundations.

#### *Types of Advisory Services*

For the majority of client portfolios, Pathstone has discretionary authority to engage third party, unaffiliated investment advisers or other sub-advisors, or utilize portfolio models provided by a third-party provider (herein "*Independent Managers*") to manage portions or all of the client's portfolio consistent with the desired investment strategy. Portions of clients' portfolios may be maintained as separately managed accounts managed by an Independent Manager, or client's assets could be invested in mutual funds, closed-end registered investment companies, or exchanged traded funds ("ETFs"). Pathstone has retained an affiliated entity, Advisor Partners II as an Independent Manager. Advisor Partners II will provide discretionary sub-advisory services for compensation to Pathstone clients. Pursuant to the terms of the investment advisory agreement, Pathstone shall have the discretion to appoint and terminate third party advisers. However, for any non-discretionary clients, they will be required to acknowledge retaining Advisor Partners II as an Independent Manager.

Pathstone performs routine due diligence on Independent Managers, as well as utilizes the due diligence services of unaffiliated third-party wealth management solutions. Factors that Pathstone considers in recommending Independent Manager(s) typically include, among other things, the client's stated investment objective(s) and risk tolerance and the Investment Manager's management style, performance, reputation, financial strength, reporting, pricing, and research. Pathstone will

continuously monitor all Independent Managers on behalf of the client, review the performance of each Independent Manager against appropriate benchmarks, and review the investment style of the Independent manager against the client's investment parameters to ensure the Independent Manager continues to meet the client's investment goals. Pathstone has discretionary and nondiscretionary relationships with clients to hire and fire Independent Managers.

For clients seeking to build investment portfolios that align with their values, Pathstone also offers an investment strategy, including via Independent Managers, focused on environmental, social and governance ("ESG") metrics. We develop and manage custom investment strategies designed to achieve targeted environmental and social impact without sacrificing financial performance. Our sustainable investing strategy accounts for numerous factors, including the impact investments have on people, society, and the economy, to properly evaluate decisions.

For a separate account, the terms and conditions under which the client will engage an Independent Manager may be set forth in a separate written agreement between the client and the Investment Manager. In other cases, Pathstone may have the authority to sign this agreement on behalf of the client and/or may itself be a party to the agreement. Pathstone shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which Pathstone shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager(s). Pathstone also provides sub-advisory investment management services to third-party advisers for their clients on a discretionary basis.

As discussed further in *Item 5*, the client may incur additional fees than those charged by Pathstone, the designated Independent Manager(s), and corresponding broker-dealer and custodian. In addition to Pathstone's written disclosure statement, the client shall also receive the written disclosure statement of the designated Independent Manager(s).

Pathstone provides investment advisory services to clients who choose to grant us the discretionary authority to make securities trades without their express approval for each trade ("discretion") or to clients who make their own trading decisions after receiving our investment advice, referred to as non-discretionary. Clients' assets may be invested in mutual funds, ETFs, other pooled investment vehicles, separate accounts managed by Independent Managers (as described above), and/or other permitted private and public investments. For these services, Pathstone charges the investment management fee further described below in *Item 5*.

Whether a client relationship is discretionary or non-discretionary, our services may often include family office services, as further described below. However, clients may only retain us for our

investment advisory services, with no family office service component (e.g., institutional or private foundations). Multi-generational families will typically hire Pathstone for both investment advisory services and a broad range of family office services.

In performing its services, Pathstone will not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Pathstone may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Pathstone recommends its own services. The client is under no obligation to act upon any of the recommendations made by Pathstone under a family office/consulting engagement and/or engage the services of any such recommended professional, including Pathstone itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Pathstone's recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Pathstone if there is ever any change in his/her/its financial situation or investment objectives so that Pathstone may evaluate whether its previous recommendations and/or services should be modified for the future.

Pathstone currently manages or advises numerous advisory accounts, and these accounts may have or will have similar investment objectives to other accounts. For ultra-high net worth and institutional clients, it is not anticipated that accounts having identical or substantially similar investment objectives will have identical or substantially similar investment portfolios. Differing investment portfolios can be expected as the result of several factors, including, without limitation, the following: different investment decisions made by the advisers assigned to the clients; regulatory constraints that apply to certain accounts but not to others; investment constraints imposed by the client; and the amount of cash available for investment at certain times. As a result of factors such as these, accounts may have a different investment portfolio (and, as a result, different performance results) from other accounts even though the accounts have identical or substantially similar investment objectives. Portfolio advisers are authorized to invest the assets of accounts for which they have investment responsibility in a wide range of underlying investments. In addition, there may be circumstances when one account will sell a security while another account may purchase the security on the same day.

For certain legacy clients, pre-existing securities holdings may be held in the clients' portfolio as non-managed. Non-managed assets are pre-existing investments such as a private fund, mutual fund, outside manager, ETF or other fund product in which the Firm may have been asked to provide information or an opinion on, however the position was not sourced by Pathstone. Non-managed assets are contained within the client's portfolio and/or reflected on reports as an accommodation and the Firm generally will not provide advice relative to these assets. As such, the client, and not

Pathstone, shall be exclusively responsible for these assets. These legacy positions may not be included in the calculation of quarterly billing. If the client desires the Firm provide investment management services with respect to any non-managed assets, the client may engage the Firm to do so for a separate and additional fee.

Among the assets to which Pathstone provides continuous and regular investment supervisory or management services are assets held by clients in their 401(k) accounts with various mutual fund companies. Because the Firm will be responsible for effecting the transactions in these accounts, it will request the client's user name and password permitting online access to the account. Pathstone has adopted appropriate physical and procedural safeguards to control access to the user names and passwords it obtains. There are other situations in which clients receive our advice about such accounts but remain responsible for effecting recommended transactions using their own access credentials.

#### Pathstone Portfolio Platform ("P-Cubed™")

P-Cubed™ is a proprietary investment execution structure that provides the ability for investors to hold diverse investments in a single account with the goal of lowering costs. P-Cubed™ provides for continuous tax loss-harvesting with a continued focus on asset location in addition to asset allocation. Investments held in P-Cubed™ may consist of both passive and active separately managed accounts (SMAs), mutual funds, exchange traded funds (ETFs) or single stock positions across a variety of asset classes. Third-party investment advisers are responsible for the investment decision making, while the Overlay Manager manages all trading, reconciliation and reporting. Third-party Independent Managers retained to manage portions or all of a client's portfolio charge their own asset-based fees or performance fees, while the Overlay Manager will charge their own fees for their role within the program.

#### Digital Infrastructure Strategy ("DIS")

Pathstone provides discretionary investment advisory services to certain clients through its Digital Infrastructure Strategy ("DIS"). DIS seeks to provide exposure to the communication network theme through a globally diversified set of companies across network infrastructure, operators and technology. DIS may not be suitable for all Pathstone clients and should be considered within the context of the client's overall investment objective.

#### Pathstone Pooled Investment Vehicles

Pathstone, or an affiliated entity, serves as the managing member or general partner to private pooled investment vehicles which are further disclosed in Item 10. These investment vehicles are



created for the purpose of facilitating investments by our clients in various private equity or private real estate investments structured as 3(c)(7) or 3(c)(1) partnerships in client portfolios.

Pathstone's clients are advised to promptly notify Pathstone if they wish to impose any reasonable restrictions upon Pathstone's discretionary investment management services.

Pathstone is sub-advisor to the PFS Insurance Fund. Effective October 2019, Pathstone is no longer the investment adviser to the Brush Street Strategic Credit Fund, LLC and Brush Street Strategic Credit Fund II, LLC (collectively the "Brush Street Funds"), however Pathstone continues to provide reporting services to the Brush Street Funds. The PFS Insurance Fund is managed by another investment adviser and overseen by an independent Board of Trustees. The PFS Insurance Fund is (1) only available to insurance companies and not available for individual purchase by members of the general public and (2) currently in the process of being liquidated and wound down.

Pathstone may also provide clients periodic investment-related white papers, research reports, and articles related to asset allocation and investment policy development without a charge as a part of its consulting services.

Pathstone is the sub-advisor to an open-ended mutual fund which acts as a fund-of-funds and primarily invests in other pooled vehicles such as exchange-traded funds (ETFs), exchange traded notes (ETNs), open- and closed-end funds, and certain individual securities and futures. Unless otherwise agreed, Pathstone may invest client assets in the mutual fund.

#### *Professional Service Providers*

As a courtesy to clients, Pathstone may introduce clients to other investment and non-investment related service providers/professionals, such as accountants, attorneys, insurance providers, other luxury service providers, etc. Pathstone does not receive any financial or economic benefit in exchange for these referrals. The client is under no obligation to engage the services of any such introduced professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any introduction or recommendation from Pathstone. Although Pathstone may have experience with these service providers, Pathstone has not performed due diligence on these service providers and is not responsible for the services provided by these services providers and/or professionals. Pathstone is not responsible for any losses caused by the actions of any third party recommended by Pathstone, including, without limitation, any accounting or legal professional services.

## **Item 5 – Fees and Compensation**

To engage Pathstone to provide family office and/or investment advisory services, the client will generally be required to enter into a written agreement (herein the “Agreement”). The Agreement sets forth the terms and conditions of the engagement and describes the scope of the services to be provided and the portion, if any, of the fee that is due from the client prior to Pathstone commencing services.

The specific manner in which fees are charged by Pathstone is established in the Agreement. Depending upon the terms of the Agreement, Pathstone may agree to provide its services on either an hourly and/or fixed fee basis, or on the basis of the amount of assets under management. Generally, Pathstone requires a retainer for its family office services (estimated hourly or fixed). Pathstone’s family office service fees are negotiable, but the full range of services generally range from \$100,000 to \$500,000 on an annual fixed fee basis and/or from \$300 to \$800 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the services. Calculations for the initial fee/retainer may be estimates based on the projected assets under management or on projected time and materials required for certain non-investment related family office services, such as tax return preparation.

Once engaged for discretionary or non-discretionary investment management services, Pathstone will charge an annual fee, which may be payable in quarterly or other periodic installments, based upon a percentage of the market value of the assets under management by Pathstone. Pathstone’s annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

In addition to the fees charged by Pathstone, third-party Independent Managers retained to manage portions or all of a client’s portfolio charge their own asset-based fees or performance fees. Fees for Independent Managers can be deducted from the clients’ accounts at the custodian. As noted in Item 4, Pathstone has the discretion to utilize its affiliated adviser, Advisor Partners II, as an Independent Manager. Fees to Advisor Partners II will be borne by Pathstone and not by the client.

Clients may refer to the Form ADV Part 2A disclosure document of each Independent Manager for information on the additional fees. Mutual funds and exchange traded funds also charge internal management fees, as well as expenses for custodial services, transfer agency services, legal and accounting services, and in many cases distribution and/or shareholder servicing, which are disclosed

in a fund's prospectus, but ultimately indirectly borne by the investor. However, Pathstone will not receive any portion of these commissions, fees, and costs. (Refer to *Item 12 "Brokerage Practices"* of this brochure).

In accordance with a particular client's Agreement, Pathstone's asset based annual fee is generally calculated as a percentage of the fair market value of all assets in Client's account determined on the last day of each calendar quarter used for billing purposes, which in many cases will be the quarter end occurring three months prior to the billing date. For example, the fee for the third calendar quarter will be calculated and payable on or about October 1<sup>st</sup> and will be based on the net asset value determined as of June 30<sup>th</sup> valuation date.

For private funds in which a client invests, Pathstone may utilize the last available value if a more recent valuation has not been provided by quarter end. The advisory fee is usually payable quarterly, either in arrears or in advance, on the last day of the prior quarter or the first day of the next quarter, consistent with the terms of the advisory agreement. Based on the terms of the advisory agreement, some clients are billed based on the average daily balance. Clients have the option whether to be billed for fees incurred, or have the fees deducted from their assets automatically.

Pathstone has varied legacy fee schedules and arrangements that it honors for relationships that predate this disclosure brochure. For example, Pathstone or a legacy firm may have pre-negotiated with clients that the Firm will not bill on the cash or legacy securities maintained in their portfolios. Additionally, Pathstone may manage portfolio accounts of employees' family and close friends. These portfolio accounts may be waived an advisory fee or may be charged a discounted fee.

With respect to the private funds managed by Pathstone, advisory and performance-based fees are described in the offering documents of the specific fund. In the event a client's assets are invested in the mutual fund, such investment will be subject to the fees and expenses of the mutual fund as detailed in the fund's prospectus. Pathstone will not charge advisory fees on client assets invested in the funds, rather will collect management fees from the mutual fund.

*Item 12* further describes the factors that Pathstone considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

The annual fee shall vary depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

**INVESTMENT MANAGEMENT ONLY:**

<u>ASSETS UNDER MANAGEMENT</u>	<u>ANNUAL FEE</u>
First \$5,000,000	0.90%
Next \$5,000,001- \$10,000,000	0.70%
Next \$10,000,001-\$25,000,000	0.55%
Next \$25,000,001-\$50,000,000	0.40%
Next \$50,000,001-\$75,000,000	0.325%
Next \$75,000,001-\$100,000,000	0.25%
Assets above \$100,000,000	0.15%

Our fee schedule is not a tiered fee schedule. As such, clients are charged a blended fee based on the assets under management. For example, a client with \$10mm in assets under management would be charged 0.90% on the first \$5mm in assets, then 0.70% on the assets from \$5mm - \$10mm.

**INVESTMENT MANAGEMENT w/FAMILY OFFICE SERVICES:**

Investment Management Fee Schedule with negotiated retainer, as described in the second paragraph of this Item 5.

**Pathstone Portfolio Platform (“P-Cubed™”)**

For the P-Cubed™ services, clients are charged the standard Pathstone investment management fee reflected above. The third-party Independent Managers retained to manage portions or all of a client’s portfolio charge their own asset-based fees or performance fees, while the Overlay Manager will charge its own fees for its role managing the program.

***Terminated accounts:*** Either party may terminate the agreement by providing at least 30 days’ written notice to the other. In the event the client terminates Pathstone’s family office and/or investment advisory services, the balance of the unearned fees (if any) shall be refunded to the client in a timely manner. The advisory fee and any pre-paid retainer will be pro-rated based upon the number of days that the client’s account was open during the quarter.

**Institutional Client Management Fee**

The following fee structure will be applicable to certain tax-exempt foundations, endowments and other similar institutional clients, taking into account factors such as the size of the investment portfolio, the scope of the services to be provided (e.g., investment management, reporting, accounting, bill pay, grant facilitation), and whether an institution is part of an overall family client relationship. There is a minimum fee of \$50,000 applicable to this fee schedule:

AUM	Fee
First \$10,000,000	0.65%
Assets above \$10,000,000 & less than \$20,000,001	0.35%
Assets above \$20,000,000 & less than \$50,000,001	0.25%
Assets above \$50,000,000 & less than \$100,000,001	0.10%
Assets above \$100,000,000 & less than \$200,000,001	0.08%
Assets above \$200,000,000	0.05%

#### **Charitable Investment Advisor Program (Donor-Advised Funds)**

Account portfolios managed within the Charitable Investment Advisor Program (see Item 10 for full details) will be charged 0.50% paid in arrears quarterly based on the total asset value of the accounts at the end of each quarter. Assets managed within this program will not be subject to Pathstone's investment management fee as described above.

#### **Sub-Advisory Services Fees**

Pathstone will provide sub-advisory services to third-party advisers and receive compensation that will be individually negotiated based on relevant factors such as the amount of assets, the type of assets (e.g., equity or fixed income), the scope of the assignment, and the fees charged by the primary adviser to its clients who are intended to benefit from our sub-advisory services.

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

Pathstone may enter into performance-based fees arrangements ("Incentive Fee Schedule") with qualified clients (fees based on a share of capital gains on or capital appreciation of the assets of a client). Performance fee arrangements with qualified clients are negotiated with clients on a case-by-case basis. Clients may be offered a choice between the traditional fee schedule and an Incentive Fee Schedule. The performance fee arrangement would have a lower base fee rate and minimum fee than the traditional fee schedule. The performance fee component would provide Pathstone an agreed upon percentage of performance that exceeds a policy benchmark mutually agreed upon.

Performance based fee arrangements may create an incentive for Pathstone to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Pathstone has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Only "qualified clients" will be eligible for performance-based fee arrangements, and their portfolios may be required to meet certain minimum size requirements in order to participate.

The Incentive Fee Schedule is fully disclosed within the investment management agreement presented to the client. The client must understand the proposed method of compensation and its risks prior to entering into the investment management agreement.

Pathstone can provide investment advisory services within the same strategies to various clients and investment vehicles. This gives rise to potential conflicts of interest, such as allocation concerns, favoring performance-based fee accounts and other considerations. To address these and other concerns, Pathstone has adopted policies and procedures designed to ensure all client accounts are treated equitable and no client receives favorable treatment. See also Item 12 - Brokerage Practices below for more information about conflicts of interest related to portfolio transactions and trade allocations.

## **Item 7 – Types of Clients**

Pathstone is an integrated wealth management and multi-family office providing portfolio management services to individuals, high net worth individuals, charitable institutions, estates, foundations, endowments, family partnerships, pooled investment vehicles, investment companies, corporations, other business entities, and trusts.

Item 4 provides a full description of the family office services available from Pathstone. Additionally, Pathstone provides investment research, advisory, and/or administrative services to an affiliate, which is a separate entity.

Pathstone provides investment supervisory services, management of investment advisory accounts, and family office services, including financial planning services. Pathstone generally imposes a minimum portfolio value for its investment management services. As a condition for starting and maintaining a relationship, Pathstone generally imposes a minimum portfolio size of \$2,000,000.

Pathstone may accept clients with less than the minimum portfolio size if, in the sole judgment of Pathstone, (1) the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's risk tolerance and (2) there are factors, as described in the next paragraph, that support waiving the minimum portfolio size requirement. Pathstone may aggregate the portfolios of family members to meet the minimum portfolio size. Additionally, certain Independent Manager(s) may impose more restrictive account requirements and varying billing practices than Pathstone. In such instances, Pathstone may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

Pathstone, or an affiliated entity, serves as the managing member or general partner to private pooled investment vehicles which are further disclosed in Item 10. These investment vehicles are created for the purpose of facilitating investments by our clients in various private equity or private real estate investments structured as 3(c)(7) or 3(c)(1) partnerships in client portfolios.

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

### **Methods of Analysis:**

Pathstone has established an Investment Committee consisting of members of senior management, trading and research analysts to review the investment strategies and products clients are invested in. Pathstone's Investment Committee will rely on the following sources of information to assist with their due diligence of an investment product or alternative investments: commercially available investment services, financial newspapers, periodicals, inspections of corporate activities, research materials prepared by others, corporate rating services, company press releases and onsite due diligence visits. In addition, Pathstone and its Investment Committee utilize various internal and external resources in performing their analyses that may include, in some cases, the analytical services provided by third-party institutional consultants, particularly with respect to the Independent Managers and alternative investments.

Depending upon the client's financial needs, strategies implemented might include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, option writing, including covered

options, uncovered options or spreading strategies, structured products, and other securities or derivatives transactions.

We may incorporate elements of modern portfolio theory in our process of asset allocation and manager selection. For each client, we determine a rate of return objective and an appropriate risk tolerance, viewed in terms of both standard deviation and drawdown. We then determine an asset allocation, and funds or managers within each asset class, that we believe should produce the desired return without exceeding the client's risk tolerance over the long-term, which we consider to be a period of at least twenty years. For shorter periods, clients should understand that it is not unexpected for the desired rate of return not to be achieved and/or for the historical maximum standard deviation and drawdown to be exceeded. Even for longer periods, there is no assurance that the client's objectives regarding investment returns and potential maximum losses can be achieved, since positive returns cannot be guaranteed as investing in securities necessarily involves a risk of loss that clients must be prepared to bear.

Certain client mandates are implemented through Centralized Portfolio Management ("CPM"), which is an investment management process offered through Parametric Portfolio Associates, LLC ("Parametric"). The investment objective of a CPM portfolio is to provide—within a single coordinated portfolio—the pre-tax return of a combination of asset managers or styles while seeking to maintain control over total portfolio risk, costs and taxes. Pathstone selects the investment allocation for client portfolios, and Parametric executes trades that best serve the overall portfolio's needs. The benefits of CPM include coordinated account rebalancing, enhanced tax lot management and processes designed to control risk relative to the client asset allocation. CPM portfolios generally invest exclusively in equity securities, including mutual funds and exchange-traded funds, but may also invest in other security types to the extent that the customized strategy permits the use of non-equity securities.

Though Pathstone offers advice on the various types of investments described herein, Pathstone intends to primarily allocate its client's investment management assets, on a discretionary basis among unaffiliated Independent Managers. These Independent Managers may invest in mutual funds, closed-end registered investment companies, exchange traded funds, structured products, individual debt and equity securities, limited partnerships, private placements, commodities, and/or options or other derivatives as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client.

**Risk of Loss:**

***Investing in any type of security involves risk of loss that clients should be prepared to bear.***



Pathstone's goal is to communicate the opportunities and risks of potential investments, and to help clients understand how risk/reward tradeoffs affect decision making. Pathstone will supervise all aspects of asset allocation including manager and investment selection, ongoing monitoring and due diligence, consolidated reporting, along with regular review and reconsideration of investment goals.

Although all investments involve risk, Pathstone's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients, investments in conservative fixed income securities to represent the fixed income class. The risk of loss of principal is the risk that the value of securities (e.g., mutual funds, ETFs, individual stocks and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

*General Economic, Geopolitical, and Market Risks:* The success of Pathstone's investment strategies, processes, and methods of analysis, as well as any account's activities, may be affected by general economic, geopolitical, and market conditions, such as changes in interest rates, availability of credit, inflation rates, global demand for particular products or resources, natural disasters, supply chain disruptions, cybersecurity events, economic uncertainty, pandemics, epidemics (e.g. COVID- 19), terrorism, social and political discord, war (including regional armed conflict), debt crises and downgrades, regulatory events, governmental or quasi-governmental actions, changes in laws, and national and international political circumstances. Economies and financial markets worldwide are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions.

Additionally, the general uncertainty surrounding the dangers and impact of COVID-19 continue to create, significant disruption to consumer demand, economic output and supply chains, particularly in relation to transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to evolve, the potential impacts, including a global, regional or other economic recession, are uncertain and difficult to assess. The ultimate impact of COVID-19 and the extent to which the associated conditions could impact a portfolio will also depend on future developments, which are highly uncertain, difficult to accurately predict and subject to change at any time.

*Cyber Security-Related Risks:* Pathstone is susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that Pathstone and its service providers, if applicable, use to service Pathstone client accounts; or operational disruption or failures in the physical infrastructure

or operating systems that support Pathstone or its service providers, if applicable. Cyber-attacks against, or security breakdowns of, Pathstone or its service providers, if applicable, may adversely impact Pathstone and its clients, potentially resulting in, among other things, financial losses; Pathstone's inability to transact business on behalf of its clients; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. Pathstone may incur additional costs related to cyber security risk management and remediation. In addition, cyber security risks may also impact issuers of securities in which Pathstone invests on behalf of its clients, which may cause clients' investment in such issuers to lose value. There can be no assurance that Pathstone or its service providers, if applicable, will not suffer losses relating to cyber-attacks or other information security breaches in the future.

*Digital Infrastructure Strategy.* The investments that Pathstone intends to make through DIS will be concentrated in communications infrastructure, services and technologies. Concentration in a single type of business may involve risks greater than those generally associated with broader investment strategies diversified across businesses. Investments in the communications sector have numerous risks, including (without limitation): rapidly changing market conditions, and/or participants; new competing products and services; construction; environmental; regulatory; permitting; commissioning; operating; economic; commercial; contractual; political; innovation; and financial risks.

Certain funds utilized by Pathstone or an Independent Manager may buy, hold and sell investments in non-U.S. issuers or securities located and/or principally traded outside the United States ("Non-U.S. Investments"). Non-U.S. Investments may involve certain special risks due to economic, political, and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting, reporting, and disclosure requirements than U.S. domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid, and at times more volatile, than comparable U.S. securities and securities markets. The foregoing risks associated with Non-U.S. investments in general are even greater in emerging and frontier markets. Pathstone will have no control over whether funds or Investment Managers invest in Non-U.S. Investments or the extent to which they make such investments.

Pathstone may recommend that clients that are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the client's investment objectives. For those clients, Pathstone may provide consulting services involving (i) the

identification of suitable private placement securities investments based on clients' investment objectives, (ii) due diligence research of the issuer and the business and management of the issuer of the private placement securities, and (iii) structuring of investments in the private placement securities which may include forming a special purpose entity to pool investments in the private placement securities.

Pooled investment vehicles include open- and closed-end investment companies, ETFs, and private funds. Pooled investment vehicles are subject to the risks of investing in the underlying securities or other investments. Shares of closed-end investment companies and ETFs may trade at a premium or discount to net asset value and are subject to secondary market trading risks. In addition, except as otherwise noted in this Form ADV Part 2A, the client portfolio will bear a pro rata portion of the operating expenses of a pooled investment vehicle in which it invests.

When Pathstone recommends that the client invest in private placement securities, Pathstone receives no additional compensation but continues to receive applicable investment advisory fees on the client's assets under management, including the value of the private placement securities. Pathstone may also provide advice about exchange traded funds (ETFs) and any type of investment held in a client's portfolio at the beginning of the advisory relationship. On occasion, clients may request guidance on investments that they presently own or are considering, but are not under Pathstone's management supervision. In the case of such legacy and/or unsupervised investments, we may not have the ability to obtain the same amount or quality of information that we are able to obtain from the managers and funds we broadly recommend, and our advice or guidance may therefore be less fully informed.

Pathstone will not act as a client's "purchaser representative" (as defined under *Rule 501 of the Securities Act of 1933*, as amended) in connection with an investment in private placement securities. Rather, Pathstone directs the client to consult with their tax advisor and attorney regarding the purchase of the private placement securities. If the client independently determines to invest in the private placement securities, the client shall work directly with their attorney to close the transaction. Investments in private placement securities may involve additional risks to the investor, including but not limited to risks relating to the use of leverage, the lack of liquidity and transparency, the potential for valuations determined by company personnel rather than independent third parties, the potential absence of audited financial statements, and the possible heightened risk of illegal conduct that may exist with respect to certain securities or transactions exempt from many regulatory requirements. Clients are advised to consult with their tax advisor and attorney to weigh the risk of any investment.

As discussed in Item 4, Pathstone may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Manager(s), based upon the stated investment objectives of the client. Pathstone will continue to render services to the client relative to the discretionary selection of Independent Manager(s) as well as the monitoring and review of account performance and client investment objectives. When selecting an Independent Manager for a client, Pathstone will review information about the Independent Manager(s) such as its disclosure statement, relevant SEC filings, and/or other material supplied by the Independent Manager(s) or independent third parties as a due diligence of the Independent Manager's investment strategies, past performance and risk results to the extent available.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Pathstone in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Pathstone may fluctuate and may be higher than it would have been in the absence of margin. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, including potential adverse tax and/or investment consequences if securities must be sold to meet a margin call, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may increase the client's total assets under management and correspondingly increase the management fee payable to Pathstone. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

*Risks Associated with Structured Notes:* Depending on market conditions and individual client circumstances, we may recommend that clients invest, or we may exercise our discretionary authority to invest for clients, in structured notes. Structured notes are complex financial instruments. Structured notes may have complicated payoff structures that can make it difficult to accurately assess their value, risk and potential for growth through the terms of the structured note. Notes can be structured in a wide variety of ways. There is also credit risk, liquidity considerations and tax considerations related to an investment in a structured note. Offering documents for any structured note usually contain a list of perceived risks, but the list may be incomplete and/or may not be accompanied by any guidelines to assist the purchaser in understanding and weighing the likelihood or materiality of these risks. We will undertake a careful assessment of the suitability of any such note for each client for whom we recommend or make an investment in the note in light of that client's goals, risk tolerance, and financial circumstances.

The client may make additions to and withdrawals from the account at any time, subject to Pathstone's right to terminate an account. Clients may withdraw account assets on notice to Pathstone, subject to the usual and customary securities settlement procedures. However, Pathstone designs its portfolios as long-term investments and asset withdrawals may impair the achievement

of a client's investment objectives. In addition, assets invested in private companies or funds may be illiquid and non-transferable, and mutual funds may charge redemption fees with respect to short-term trades.

Additions may be in cash or securities provided that Pathstone reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Pathstone may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (e.g. contingent deferred sales charges) and/or tax ramifications.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Pathstone or the integrity of Pathstone's management. *Pathstone has no such reportable legal or disciplinary events.*

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

In addition to investment advisory services, Pathstone also provides the following services to clients. These services may be provided individually or in combination with Pathstone advisory services provided for additional fees as agreed upon with a client:

- Record keeping and reporting;
- Income tax planning assistance;
- Financial education for family members;
- Family decision-making processes;
- Philanthropic goals (private and public foundations);
- Estate planning;
- Multigenerational wealth planning;
- Coordination of outside professionals;
- Insurance analysis;
- Trustee administration services;
- Business succession planning.

Pathstone provides family office services, including financial planning, consulting, expense management, bill pay, concierge services, tax compliance, philanthropic management, and investment management services to individuals, investment limited partnerships, trusts, estates,

charitable organizations, corporations and business entities. Each client acknowledges which services are to be performed in the Agreement with Pathstone; consequently, certain clients engage us to provide some, but not all, of the services listed above. As well, Pathstone provides accounting and tax services for some Pathstone clients.

Occasionally, Pathstone can create single purpose pooled investment vehicles to invest clients' funds in single investment funds or directly into companies. These pooled investment vehicles are not made available to the general public, and are not registered investment companies. These investment vehicles are typically organized as limited liability companies with a "related person" of Pathstone serving as manager.

#### Charitable Investment Advisor Program ("CIAP")

Pathstone has been selected to participate in the Charitable Investment Advisor Program ("CIAP") sponsored by Fidelity Charitable. Through this program, Pathstone has the opportunity to provide investment advisory and management services with respect to certain Fidelity Charitable assets that have been allocated by clients to "Giving Accounts." Clients can establish Giving Accounts to make irrevocable charitable contributions to approved charities, while benefiting from federal income tax deductions, and continuing with the investment advisory services of Pathstone.

#### Trust Services

##### **Pathstone Trust Services**

Pathstone has contracted with an unaffiliated third party, JTC Trust Company (Delaware), Ltd ("JTCT"), to provide trustee services and trust administration services to clients of Pathstone. Referred to as "Pathstone Trust Services," (herein "PTS"), Pathstone clients may avail themselves to the trustee services in accordance with a separately signed agreement with PTS. Services of PTS include trust administration, including accounting, tax preparation, record keeping and reporting, foundation or estate administration, and compliance for administration of trusts and estates.

Fees for these services vary based on the trust services selected and value of the trust, and are separate and distinct from the fees paid to Pathstone. Pathstone has entered into a revenue sharing agreement with respect to clients who contract with Pathstone Trust Services. However, we do not deem this a conflicts of interest, as Pathstone passes on the compensation to the client in the form of a discount on the trustee fees.

Additionally, Pathstone utilizes a Trust Representative Office of National Advisors Trust Company ("NATC"), an independent, federally chartered savings bank that provides trust and custodial services.

To the extent a client determines to retain Pathstone, the client will enter into a separate and distinct agreement with National Advisors Trust Company for trust administration, distribution and custodial services and will pay a separate fee for such services. Any trust administration fees are in addition to the advisory fees paid for advisory services. Such trust administration fees are paid directly to NATC by the client, and Pathstone does not share in these fees. National Advisors Trust Company, one of the largest independent trust companies in the country, is owned by a diversified group of independent registered investment advisers.

### **Willow Street Group**

Pathstone is affiliated by common control and ownership to Willow Street Group (“Willow Street”), a Wyoming based trust and fiduciary services firm. Pathstone clients may avail themselves to the trustee services in accordance with a separately signed agreement with Willow Street. Additionally, clients of Willow Street can request Pathstone be deemed the Investment Trust Advisor which Pathstone will be compensated for.

### **Advisor Partners II, LLC**

Pathstone is under common control and ownership with Advisor Partners II, LLC (“AP”), which is a registered investment adviser providing discretionary advisory, sub-advisory and consulting services primarily to clients of third-party investment advisers and financial institutions through two distinct investment programs: Separately Managed Accounts (“SMA”) and Model Portfolio Consulting (“MPC”). AP also provides discretionary investment advisory and financial planning services directly to certain clients. Pathstone utilizes AP as an Independent Manager for discretionary sub-advisory services to Pathstone clients.

### **Saltbox II, LLC**

Pathstone is under common control with and shares the same principal office and place of business as, Saltbox II, LLC (“Saltbox”), which is the investment adviser and general partner to the Saltbox Partners Fund, L.P. (Saltbox Fund”) and Saltbox CRA Fund, L.P. (“Saltbox CRA Fund, L.P.”). Saltbox is a relying adviser to Pathstone as further described in the ADV Part 1. Pathstone provides, for compensation, investment research, advice, and administrative support to Saltbox to assist in fulfilling its responsibilities as the general partner of Saltbox Fund and Saltbox CRA Fund. Saltbox Fund and Saltbox CRA Fund are hedge fund of funds with different return patterns and risk levels whose limited partners consist primarily of certain of our clients. Pathstone does not have a direct contractual relationship with these funds. Pathstone does not charge any direct fees to Saltbox or these funds, but we do allocate a proportionate share of our hedge fund research expenses to them

and are reimbursed from fund assets. Consequently, we have a financial interest in recommending that our clients invest in these funds. These relationships, including the associated costs, are described in detail in the offering materials for the Saltbox Fund and Saltbox CRA Fund, which are provided to all prospective investors in these funds. Saltbox Fund and Saltbox CRA Fund are not available to the public, and substantive information about them is generally made available only to certain clients. Pathstone does not exercise our investment discretion to invest client assets in Saltbox Fund or Saltbox CRA Fund; a client desiring to invest in either fund must execute the appropriate subscription documents on his, her or its own behalf.

In the event that (1) Saltbox Fund or Saltbox CRA Fund intends to invest in a particular hedge fund; (2) our clients also desire to invest directly in the same hedge fund; and (3) that hedge fund is unwilling to accept subscriptions equal to the aggregate amount desired to be invested by these clients and the fund, then it is anticipated that the amounts desired to be invested referred to in clauses (1) and (2) will be proportionately reduced to equal, in total, the subscription amount the hedge fund is willing to accept. In the event that this proportionate reduction in investment amounts results in an account receiving such a small allocation that it does not satisfy the subscription minimum that a hedge fund is willing to accept, only those accounts that meet such minimum amount will be recommended to invest in that hedge fund. In cases where the investment opportunity is so limited that a proportionate reduction in investment amounts is not feasible, the opportunity will be allocated in any manner we deem appropriate under the circumstances. Saltbox Fund is expected to exhibit materially greater volatility than Saltbox CRA Fund due to a different investment focus. There may be a limited amount of overlap between investments targeted by Saltbox Fund and Saltbox CRA Fund. In the event that a particular investment opportunity is suitable for each such fund in a limited amount, it is anticipated that the available amount will be allocated to each such fund in a pro rata manner based on their assets under management.

Further information concerning Saltbox can be found in our Form ADV Part 1 as filed through the SEC's Investment Adviser Public Disclosure website.

### **PFO/CA Fund GP LLC**

An affiliate of Pathstone, PFO/CA Fund GP LLC serves as a sponsor and General Partner or Manager to certain private funds that are created for the purpose of facilitating investments by our clients in various private equity investments or private real estate investments.

The Pathstone fund of funds are offered to clients of the firm with no additional management or incentive fee charged by Pathstone. Pathstone provides for our clients including but not limited to, research and management of the underlying investments, administration of fund cash flows,



performance reporting, and coordination of annual audits and tax preparation. For these services, Pathstone will reimburse proportionately on a quarterly basis as per noted in the fund documents.

In the event our clients desire to invest in a private fund directly and that fund is unwilling to accept subscriptions equal to the aggregate amount desired to be invested by these clients and the fund, then it is anticipated that the amounts desired to be invested will be proportionately reduced to equal, in total, the subscription amount the fund is willing to accept. In the event that this proportionate reduction in investment amounts results in an account receiving such a small allocation that it does not satisfy the subscription minimum that a fund is willing to accept, only those accounts that meet such minimum amount will be recommended to invest in that fund. In cases where the investment opportunity is so limited that a proportionate reduction in investment amounts is not feasible, the opportunity will be allocated in any manner we deem appropriate under the circumstances.

Effective December 31, 2019, Pathstone Holdings, LLC had a change of ownership which now includes LM Checkmark Holdings LLC. LM Checkmark Holdings LLC, through various entities is further owned by Lovell Minnick Partners LLC, (“LPM”) a SEC registered investment adviser. Additionally, Pathstone has entered into a term loan agreement with Madison Capital Funding LLC, a SEC registered investment adviser which is ultimately owned by New York Life Insurance Company (“NYLIFE”). LPM and NYLIFE provide investment products and services that could potentially be marketed to or used by Pathstone’s clients, which could create a conflict of interest in light of Pathstone’s relationships with LPM and NYLIFE. Pathstone has no current intention, and does not expect, to purchase for or recommend to its clients any products or services offered by LPM or NYLIFE. If this should change, Pathstone will fully disclose this potential conflict directly to any affected client or clients before making any such purchase or at the time of or before making any such investment recommendation.

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

Pursuant to SEC rule 204A-1, Pathstone has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients under the Investment Advisers Act of 1940, as amended. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, strict limits on personal trading intended to avoid actual or apparent conflicts with any client’s interests, including the maintenance of a do-not-trade list in specific securities and, for securities not on that list, a ceiling on permitted dollar amounts and a required restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Pathstone

must comply with and acknowledge the terms of the Code of Ethics annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Pathstone will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Pathstone's clients. In addition, the Code of Ethics requires pre-clearance of certain transactions and discusses the maintenance of a Restricted List of securities employees are prohibited from investing in. Nonetheless, because the Code of Ethics in some circumstances would permit 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 under the Code of Ethics and is reasonably designed to prevent conflicts of interest between Pathstone and its clients.

Pathstone's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Lisandra Wilmott, Chief Compliance Officer via email at [compliance@pathstone.com](mailto:compliance@pathstone.com).

Pathstone may recommend that certain clients invest in private placement securities. For those clients, Pathstone may provide consulting services involving (i) the identification of suitable private placement securities investments based on clients' investment objectives, (ii) due diligence research of the issuer and the business and management of the issuer of the private placement securities. Pathstone may also recommend qualified clients invest in private placement opportunities in which minority shareholders of Pathstone may have a beneficial interest. When we recommend that a client make an investment in Saltbox Fund or Saltbox CRA Fund, we describe our sponsorship of the fund and explain our view that the conflict arising from the fund's reimbursing certain of our expenses is outweighed by the benefit to the client of obtaining the investment exposures and diversification available through the fund. Pathstone will only recommend an investment in these opportunities after the proper due diligence on the investment has been performed and Pathstone believes it is a suitable investment for clients. Pathstone and persons associated with Pathstone ("Supervised Persons") are permitted to buy or sell securities, including private placements, which it also recommends to clients, consistent with Pathstone's policies and procedures.

When permitted by applicable law and the investment guidelines applicable to individual client accounts, and considered by Pathstone to be in the best interests of a client, Pathstone may recommend to clients, and invest the assets of client accounts in various closed-end and open-end investment companies and other pooled investment vehicles for which Pathstone or its affiliates receive compensation for advisory, administrative, or other services. In certain circumstances, when

required by applicable law or by agreement with clients, Pathstone will waive Pathstone investment management fee with respect to assets investment in pooled investment vehicles to the extent some or all of the compensation received by Pathstone and its affiliates for services rendered with respect to such pooled investment vehicles. Pathstone does not, in all instances, waive such investment management fees.

Pathstone anticipates that, in appropriate circumstances, consistent with clients' investment objectives and any required disclosures, it will cause accounts over which Pathstone has management authority to effect, and will recommend to investment advisory clients, the purchase or sale of securities in which Pathstone and/or clients, directly or indirectly, have an ownership, management or other financial interest. Pathstone's employees and persons associated with Pathstone are required to follow Pathstone's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Pathstone may trade for their own accounts in securities which are recommended to and/or purchased for Pathstone's clients.

In limited circumstance, certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Pathstone's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Pathstone will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be identified and explained on the order.

## **Item 12 – Brokerage Practices**

Pathstone generally recommends that clients utilize the brokerage and clearing services of Pershing Investment Manager Services ("Pershing"), TD Ameritrade ("TDA"), Fidelity Brokerage Services, LLC ("Fidelity") or the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab") for investment management accounts. Pershing, TDA, Fidelity and Schwab are all members of SIPC and are unaffiliated registered broker dealers and FINRA member broker dealers. Although Pathstone may recommend that clients establish accounts at these brokers, it is the client's decision where to custody their assets and to determine the custodial fee arrangement.

The brokerage commissions and/or transaction fees charged by Pershing, TDA, Fidelity and Schwab or any other designated broker-dealer are exclusive of and in addition to Pathstone's fee. Pathstone regularly reviews these programs to seek to ensure that its recommendation is consistent with its fiduciary duty. Factors which Pathstone considers in recommending Pershing, Fidelity or Schwab

or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by Pershing, Fidelity or Schwab may be higher or lower than those charged by other broker-dealers. As further described in Item 14 (Client Referrals and Other Compensation).

The commissions paid by Pathstone's clients are intended to be consistent with the Pathstone's duty to obtain "best execution." However, a client may pay a commission that is higher than what another qualified broker-dealer might charge to effect the same transaction when Pathstone determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealers' services, including among others, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Pathstone will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions for each client generally will be effected independently. If the client requests Pathstone to arrange for the execution of securities brokerage transactions for the client's account, Pathstone will direct such transactions through broker-dealers that Pathstone reasonably believes will provide best execution. In limited circumstances, transactions may be cleared through other broker-dealers with whom Pathstone has entered into agreements for prime brokerage clearing services. Pathstone will periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

Certain clients have directed Pathstone in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Pathstone will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by Pathstone. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Pathstone may decline a client's request to direct brokerage if, in Pathstone's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Pathstone receives from Pershing, Fidelity and Schwab, without cost to Pathstone, computer software and related systems support, which allow Pathstone to better monitor client accounts maintained at that broker-dealer. Pathstone may receive the software and related support without cost because Pathstone renders investment management services to clients that maintain assets at that financial institution. The software and related systems support may benefit Pathstone, but not

its clients directly. Schwab, Fidelity, and Pershing may also provide other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications, and other services. Schwab, Fidelity and Pershing may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third party providing these services to Pathstone. Schwab, Fidelity and Pershing may also provide other benefits such as educational events or the occasional business entertainment of our personnel, subject to limitations set forth in our code of ethics. In addition to the foregoing, from time to time Pathstone may have access to business development opportunities sponsored by the above mentioned custodians. Such opportunities include interviews, webcast discussions and spotlights on Pathstone's practices and services. These opportunities are not tied to the amount of brokerage commissions generated through, or the amount of assets custodied with, the broker-dealer/custodian.

Some third-parties, including custodians, brokers and advisory firms, which Pathstone utilizes for execution or other services may co-sponsor client events with Pathstone. The third-parties may provide sponsorship via sharing the cost of meeting space, meals or other expenses borne from hosting the event. The co-sponsor may be billed separate for their portion of the expense or may reimburse Pathstone for their percentage of the cost.

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

In addition, Pershing, Fidelity and Schwab provide Pathstone with access to its institutional trading and custody services, which are typically not available to retail investors. These brokerage services 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.

Additionally, Pathstone may receive the following benefits from the above stated brokers: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading which provides the ability to aggregate securities transactions and then allocates the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Additionally, brokers may provide client referrals to Pathstone for certain family office clients. These referrals do not result in any financial compensation; however, Pathstone may use the brokerage and custodian services of that broker to service these clients.

It is Pathstone's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. Pathstone will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Pathstone is not dually registered and does not have any affiliated broker-dealer entities.

On occasion, after completing extensive due diligence, Pathstone will recommended client investments in unaffiliated private funds if the investment is within the client's stated investment strategy and risk tolerance. Certain investments recommended by Pathstone, however present a conflict of interest. While conflicts exist, we have implemented measures within our investment process to address such conflicts, including providing additional disclosures to those clients who independently decide to become investors in the funds.

It is possible that a trade error, such as trading the wrong security or the wrong number of shares, may occur. Our policy is that in the case of a trade error by our personnel, clients will be "made whole," that is, will not bear a loss as a result of the error. Pathstone does not maintain any client trade error gains, however clients should be aware that certain brokerage firms' policy require any trade error gain to be maintained to net against losses or donated to a charity.

In limited circumstances, and upon client request, Pathstone will utilize the custody, banking and brokerage services of State Street Investors Bank & Trust ("State Street"), City National Bank or BNY Mellon. State Street, BNY Mellon or City National Bank will be used when a client desires a bank custodian rather than a Broker-Dealer. Clients may also select other bank custodians at their discretion.

In certain situations, Pathstone may select or recommend to clients investments in certain private funds that invest in illiquid assets, including interests in other private funds (e.g., fund of funds). As a result, to the extent that the Firm's clients collectively own a material interest in such private funds, a determination by Pathstone for clients to simultaneously liquidate their holdings in one or more of these private funds may cause the private funds' managers to be forced to liquidate underlying positions quickly and therefore reduce the opportunity to realize maximum value for certain illiquid positions held by the fund. Similarly, in order to protect their funds from perceived

inopportune liquidations, the private fund managers may impose restrictions on redemptions, otherwise known as “gating” the private fund.

Consistent with a client’s investment objectives, a portion of clients’ assets may be invested in the Access Overlay™ Account Program sponsored by Fortigent, LLC (herein “Fortigent”). As with other retained Independent Managers, the client will pay Fortigent fees separate and in addition to the fees paid to Pathstone, as described further in Item 5. As a result of client’s participation in this program, Pathstone benefits overall from reduced fees on reporting services provided by Fortigent. However, Pathstone does not view this as a conflict of interest as clients will generally benefit as a result of lower fees for the Access Overlay Program than had they invested in the Independent Managers directly.

Certain clients set up margin accounts in connection with their managed brokerage accounts. After a discussion with a client, Pathstone may utilize margin on the account either for short term transactions or as leverage, based on the clients’ individual risk profile.

## **Item 13 – Review of Accounts**

### **Reviews**

For those clients to whom Pathstone provides investment management services, Pathstone performs periodic account reviews which may be in conjunction with the preparation of client’s quarterly reports. This informal review may include assessing client goals and objectives, monitoring the portfolios and addressing the need to rebalance. Individual securities held in client accounts will be periodically monitored by Pathstone, while the firm will monitor any selected third-party managers on a quarterly basis. Accounts are reviewed in the context of each client’s stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client’s individual circumstances, market conditions, or the political or economic environment.

For those clients to whom Pathstone provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by either an investment adviser representatives or a client service director. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Pathstone and to keep Pathstone informed of any changes thereto. Pathstone expects to contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Additional reviews that Pathstone may periodically perform on behalf of family office clients include tax-planning, cash-flow needs, as well as charitable giving, insurance, and estate planning. Financial plans are not necessary reviewed periodically for clients for whom we prepare such plans; however, we attempt to meet at least annually with those clients and offer the opportunity to review all financial issues a client may wish to discuss at these meetings or more frequently upon client request.

All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Pathstone and to keep Pathstone informed of any changes thereto. Pathstone shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Market values used for valuation purposes may differ slightly from values reported on custodial statements due to timing issues including when trades are reported and timing of dividends. Those clients to whom Pathstone provides investment advisory services will also receive a written report from Pathstone that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis.

Those clients to whom Pathstone provides financial planning and/or consulting services will receive reports from Pathstone summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Pathstone.

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

*Client Referrals:* Pathstone may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company), including employees of Pathstone, for client referrals. Pathstone is aware of the special considerations promulgated under the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by Pathstone and all applicable Federal and/or State laws will be observed. Clients should understand that third party solicitors have an economic incentive to recommend the advisory services of Pathstone.



*ESG Research Services:* Pathstone has entered into agreements with third parties to conduct ESG due diligence research services on investments managed by unaffiliated asset managers. Pursuant to the terms of the agreements, Pathstone shall receive compensation for these services.

*Other Compensation:* Pathstone has negotiated various strategic partnerships with non-financial business entities to provide additional family office concierge services to its clients. On occasion, employees of Pathstone may participate or utilize these services at the comparable fee level as Pathstone's clients.

In addition, as further discussed in Item 10 above, Pathstone has entered into a revenue sharing agreement with respect to clients who contract with Pathstone Trust Services. As such, on a case by case basis, and based on the existing client relationships, Pathstone may receive a referral fee for Pathstone clients that utilize the Pathstone Trust Services.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. *Pathstone urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.* Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Pathstone's Agreement and/or the separate agreement with a Financial Institution(s) may authorize Pathstone through the Financial Institution(s) to debit the client's account for the amount of Pathstone's fee and to directly remit that management fee to Pathstone in accordance with applicable custody rules. The Financial Institution(s) recommended by Pathstone have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of management fees paid directly to Pathstone.

In certain circumstances, Pathstone is deemed to have custody due to bill-pay services to clients. Additionally, an affiliate of Pathstone serves as the general partner to certain Funds (as described in Item 11 above) and is deemed to have custody of client assets under applicable regulations. As an adviser with custody, Pathstone is subject to an annual surprise custody examination and also will seek to have each Fund audited on an annual basis by an independent public accountant that is both registered with and subject to regular inspection by the Public Companies Accounting Oversight Board (PCAOB) and to have an annual audited financial statement sent to the investors in each Fund, generally within 180 days of the Funds' fiscal year end. Investors should carefully review the audited financial statements of the Funds. In addition, our family office services include bill paying for client

families (unrelated to any investment advisory service we provide), which deems us to have custody over those assets. Accordingly, Pathstone is subject to a surprise custody examination annually by such independent public accountant.

#### **Item 16 – Investment Discretion**

Pathstone may provide either discretionary or non-discretionary investment advisory services to clients. For non-discretionary services, the clients retain the authority over their portfolios, however, may permit Pathstone to execute trades within their accounts upon specific approvals of recommendations.

For “discretionary” Investment Management clients, Pathstone requests that it be provided with written authority to determine the securities and the amount of securities that are bought and sold and the authority to determine which money managers to select and the ability to change those investment managers. Though Pathstone may have discretion over clients’ portfolios, its policy is that any investment in a privately-offered fund will require the clients’ signature on any necessary fund subscription documents. Investment guidelines and restrictions should be provided to Pathstone in writing prior to any initial investments. Pathstone may recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Manager(s), based upon the stated investment objectives of the client. Pathstone shall continue to render services to the client relative to the discretionary selection of Independent Manager(s) as well as the monitoring and review of account performance and client investment objectives. When selecting securities and money managers, Pathstone observes the investment policies, limitations and restrictions of the clients for which it advises.

#### **Item 17 – Voting Client Securities**

Proxy Voting: As a matter of firm policy and practice, Pathstone does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. However, for certain acquired client accounts such as the mutual fund, Pathstone has been designated proxy voting authority and has implemented policies and procedures accordingly. Pathstone may provide advice to clients regarding the clients’ voting of proxies. Notwithstanding the foregoing policy, Pathstone may be required to vote proxies for a retirement benefit arrangement subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) in any case in which such authority has been delegated to Pathstone in an investment management agreement. In addition, some of the separate account managers hired by clients or hired by Pathstone on behalf of clients have and exercise proxy voting authority for client securities.

Clients may obtain a copy of our proxy voting policies and procedures by contacting the Chief Compliance Officer. Additionally, clients may request in writing information on how proxies have been voted on their behalf by contacting the Chief Compliance Officer.

Class Actions, Bankruptcies and Other Legal Proceedings: Other than for our pooled investment vehicles, Pathstone will neither advise nor act on behalf of a client in legal proceedings involving securities held in clients' accounts. Clients are generally responsible for handling such claims involving companies whose securities are held, or previously were held, in the client's accounts, including, but not limited to, the filing of "Proof of Claim" in class action settlements. Pathstone may, in its discretion, engage an independent third-party provider to assist in such matters or facilitate the direct engagement by its clients of such a third-party provider.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Pathstone has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.