



## **Form ADV Part 2A – Firm Brochure**

### **Vernal Point Advisors, LLC**

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March 31, 2023

**This brochure provides information about the qualifications and business practices of Vernal Point Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 237-3530 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Vernal Point Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Firm" using the firm's CRD number, which is 166587.**

## **Item 2 – Material Changes**

We have the following material changes to report since our prior amendment dated March 31, 2022:

**Item 5 – Fees and Compensation** was revised to reflect our new hourly rates for special projects and our new annual minimum fee of \$250,000.

Our brochure may be requested by contacting Heidi Johnson, Chief Compliance Officer, at (415) 237-3530 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com).

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## **Item 4 – Advisory Business**

### **About Vernal Point Advisors, LLC**

Vernal Point Advisors, LLC (“Vernal Point,” “we,” “us”) is a limited liability company formed in 2012 in the State of California. Vernal Point is majority owned by Paul Morelli.

### **Services Offered**

Vernal Point is a financial advisory firm dedicated to providing personalized, confidential financial planning, investment management, and family office services to our clients.

### **Financial Planning Services**

Our financial planning services may include an examination of the client’s cash flow, insurance, taxes, investments, retirement and estate planning needs. After one or several meetings and our analysis, the client will be provided with a written plan charting recommendations to be made in the above areas to meet the client’s goals and objectives.

### **Investment Management Services**

Our investment management services include helping the client clarify his or her investment objectives, goals and time horizons and creating a diversified portfolio based on those needs. We generally provide investment management services on a discretionary basis. If granted discretionary authorization to make trades in client accounts, we will effect transactions without the client’s prior consent.

We evaluate investment opportunities in all asset classes and all geographies on behalf of clients and will consider many different investments, including low-cost exchange traded funds, mutual funds, alternative investments REITs, and others. Vernal Point will also recommend clients invest a portion of their assets with unaffiliated investment advisors, referred to herein as “Managers”. This could be in the form of a separately managed account or an investment in an alternative investment which is generally a private placement in a pooled vehicle, e.g. a private fund.

Based on the client's individual circumstances and needs, we will perform management searches of various Managers to identify which Manager’s portfolio management process and investment strategy is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, and the investment philosophy of the selected Manager. Clients should refer to the selected Manager’s Firm Brochure and other disclosure documents for a full description of the services offered.

On an ongoing basis, we will monitor the performance of the selected Manager(s). If we determine that a Manager is not providing sufficient investment management services to the client or is not managing the client's investment/capital in a manner consistent with the client's policy guidelines, we may suggest that the client contract with a different Manager. Under this scenario, Vernal Point assists the client in selecting a new Manager and/or strategy.

Clients may impose restrictions on investing in certain securities or types of securities. All restrictions must be in writing.

At least annually, we will meet with the client to review and update, as necessary, the client's investment guidelines. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment guidelines is warranted.

Prior to engaging Vernal Point to provide services, clients are generally required to enter into an agreement with us setting the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee payable. It is the client's responsibility to promptly notify us if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations and/or services.

In addition to the agreement with Vernal Point, the client may also be required to enter into a written agreement with the Manager(s). In some cases, the Manager may act as a sub-advisor to Vernal Point and no additional agreement will be needed. These agreements will set forth the terms and conditions of the engagement and describe the scope of the services. The client will also receive the written disclosure statements of the selected Manager. These disclosure statement(s) are in addition to the one from us, which you are currently reviewing.

Manager advisory and/or performance based fees, are in addition to any advisory fees charged by us. Please see Item 5 below for more information.

The client is under no obligation to act on our recommendations. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through us or the recommended Managers.

### **Investment Management Service to Retirement Investors**

When Vernal Point provides investment advice to retirement plan accounts or individual retirement accounts, Vernal Point is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are

laws governing retirement accounts. The way Vernal Point makes money creates some conflicts with client interests, so Vernal Point operates under a special rule that requires us to act in the client's best interest and not put our interest ahead of the Client's interests.

Under this special rule's provisions, Vernal Point must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of client's interests when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in the client's best interest;
- Charge no more than is reasonable for our services; and
- Give client's basic information about conflicts of interest.

### **Family Office Services**

Family office services provided by us include the organization of a client's financial information, facilitating family governance, special projects, comprehensive risk management, the development of operational infrastructure, overseeing the establishment and administration of closely held client entities such as trusts and foundations, execution of planning strategies, estate pre-administration, and active vetting and oversight of the client's other contractors and legal and tax advisors.

If requested by the client, we may recommend the services of non-investment professionals. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from us.

### **Other Services**

In addition to financial planning, investment management services and family office services, we may periodically provide the following types of educational seminars:

- Custom education curriculum created by us on financial topics for ultra-high net worth clients, often in conjunction with our other services (such as advisor selection, financial planning, and family office services).

### **Amount of Assets Under Management**

As of February 28, 2023, Vernal Point had discretionary assets under management of \$202 million and non-discretionary assets under management of \$966 million for a total of \$1.168 billion assets under management.

### **Our Policy on Class Action Lawsuits**

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. Vernal Point has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. We also have no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, we have no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where we receive written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, we will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

### **Item 5 – Fees and Compensation**

Vernal Point's fees for our services are determined on the basis of the client's requested services, complexity of financial condition and objectives, and other related factors. Most clients are charged a quarterly flat fee, but we infrequently provide some services on an hourly basis for these flat fee clients. The current hourly billing rate for the services requested is \$250 to \$1000 per hour. Travel and other expenses pre-approved by client may also be included.

For investment management, fees may be based upon a percentage of the market value of the assets placed under our management. Fees are negotiable on a client-by-client basis with maximum fees shown in the chart below. Clients will be billed on a quarterly basis in advance, based on the settlement date balances on the closing day of the prior quarter as reflected on client statements.

<b>Assets Under Management</b>	<b>Annual Advisory Fee</b>
First \$5 million	0.90%
Next \$5 million	0.80%
Next \$10 million	0.70%
Next \$20 million	0.60%
Above \$40 million	Negotiable

The minimum annual fee for investment management service is \$250,000. We may waive or reduce this minimum for certain clients at any time.

On an hourly or retainer basis, we will help ultra-high net worth individuals and families source and evaluate other firms to act either as comprehensive wealth managers or as the primary investment advisor.

On an hourly or retainer basis, we also create custom educational curriculums for ultra-high net worth individuals and families to train them to manage the complexities of wealth. These curriculums are typically delivered in a one-on-one format instead of in a group setting.

Our fee does not include fees charged by Managers, alternative investments, ETFs, mutual funds, account custodians, broker-dealers or other third parties. These fees are all additional and separate from our fees. Manager's fees are not set by us and their fees, method and manner of billing (e.g., advance or arrears; quarterly or monthly, etc.) may differ from our billing practices. Clients will receive an explanation of the Manager's billing practices from us or the Manager in the form of the Manager's firm brochure, client agreement or other documentation.

We believe that the charges and fees offered within this program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources.

Our relationship with each client is non-exclusive; in other words, we provide financial planning, investment advisory services, and family office services to multiple clients. In any case, we seek to avoid situations in which one client's interest may conflict with the interest of another client.

## **Termination**

The client may terminate any new agreement without penalty by providing written notice of such cancellation to us within five (5) business days of the date of signing the agreement. Following the five-day cancellation period, the client will have the right to cancel the



agreement with 30 days written notice at any time prior to the expiration date of the agreement.

Vernal Point will have the right to cancel any agreement if documents or other required information are not received from client as agreed within thirty days after written request for such information.

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

Vernal Point does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Performance-based fees pose a significant conflict of interest to the client as these fees may provide an incentive to allocate investment opportunities to clients paying a higher fee. We consider avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

However, some of the alternative investments managed by Managers we recommend may charge such fees. We only recommend investments with performance-based fees when we believe the benefits of the investment outweigh the conflict created by the Manager charging a performance-based fee.

## **Item 7 – Types of Clients**

Vernal Point clients are generally ultra-high net worth individuals, foundations, and small charitable institutions. Client relationships vary in scope and length of service.

We have no minimum account size, however, there is a \$250,000 minimum annual fee for investment management services. As mentioned above in Item 5, we may waive or reduce this minimum for certain investors at any time.

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

### **Methods of Analysis**

Before designing investment plans for clients, we will evaluate the client's investments to determine whether the client's goals harmonize with the client's financial objectives. We

will propose a portfolio to help clients attain their financial goals. In designing investment plans for clients, we rely upon the information supplied by the client and client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. We will design and propose a portfolio to help clients attain their financial goals.

This information will become the basis for the strategic asset allocation plan that we believe will best meet the client's stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes that we believe will possess attractive combinations of return, risk, and correlation over the long term.

When we make investment recommendations, asset allocation techniques are used which include mutual funds, exchange traded funds ("ETFs"), stocks, bonds, and alternative investments of varying characteristics and from both the United States and foreign markets. We invest for the long term and expect that not all investments in a given portfolio will perform in unison with other assets in the same portfolio.

We may utilize fundamental analysis. Fundamental analysis is performed on historical and present data, with the goal of making financial forecasts. The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

We also utilize statistical asset class data.

### **Investment Strategies**

We develop a diversified investment portfolio by mixing different assets in varying proportions depending on client objectives and current economic climate. The primary purpose of Asset Allocation is to provide diversification and reduce overall level of volatility in the portfolio, while maintaining or enhancing the expected rate of return of the portfolio. Portfolios often incorporate non-US investments to mitigate the risk associated with home-biased markets.

Vernal Point underwrites Managers and strategies on an ongoing basis and across various asset classes which may help to meet the financial goals of our clients. While the target asset allocation and recommended ranges provide the basis for the design of client portfolios, the decision to include a particular Manager or strategy, as well as the recommended sizing of any proposed investment, is informed by the specific goals, interests, and circumstances of

each particular client. These same goals and circumstances may allow for unique holdings in one account that would not be appropriate for other client portfolios. Client portfolios are reviewed regularly to determine whether these investments should be appropriately included in the portfolio.

Each client receives investment advice regarding their portfolio based upon his or her:

- Income Needs
- Time Horizon
- Tax Circumstances
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes are mutual funds, exchanged traded funds (ETFs), private funds (limited partnerships and LLCs), Real Estate Investments Trusts (REITS), separate accounts, direct investments, covered options and other derivatives.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. We work with each client to formalize ongoing discussions and consultations into an Investment Policy Statement that documents their objectives, their desired investment strategy and any restrictions on investments requested by the client.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Our investment approach constantly keeps the risk of loss in mind. Clients face the following investment risks:

Market Risk: The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general).

For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

Interest-rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Legal/Regulatory Risk: Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

Liquidity Risk: Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

ETF & Mutual Fund Risk: When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.

Option Trading Risk: Options are speculative and highly leveraged. The purchaser of an option risks losing the entire purchase price of the option. The seller (writer) of an option risks losing the difference between the premium received for the option and the price of the contract underlying the options which the writer must purchase or deliver upon exercise of the option, which could subject the writer to an unlimited risk in the event of an increase in the price of the contract to be delivered.

Risks Associated with Investments in private funds: In addition to the risks Such investments may be subject to a variety of risks, including, but not limited to, lack of operating history, reliance on key personnel of the investment program or limited partnership, absence of regulatory oversight, limited withdrawal rights, substantial fees and expenses, illiquidity of interests, and potential mandatory withdrawal. Vernal Point strongly encourages clients to carefully consider the risk disclosures contained in the offering documents, which clients sign and agree to before any investments in such private fund or alternative investment.

### **Additional Risks:**

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk. Additionally, cash invested in money market funds is not FDIC insured and may lose principal if the net asset value of the money market fund drops below \$1.00.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity, price volatility, and geopolitical risk. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

## **Item 9 – Disciplinary Information**

Vernal Point has no reportable legal or disciplinary events.

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

Neither Vernal Point, nor its Officers, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Vernal Point, nor its Officers, are registered or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Richard Faw, Director of Quantitative Research, is also the Founder and Owner of Setarcos Wealth Advisors, LLC, a Pennsylvania registered investment adviser. In his capacity as the Founder and Owner, Mr. Faw provides recommendations to the clients of Setarcos. The firm has adopted a Code of Ethics to avoid any potential conflicts of interest, and the profile of Setarcos's client base does not overlap with Vernal Point's client base.

## **Item 11 – Code of Ethics**

Vernal Point recognizes that we have a fiduciary duty to our clients to ensure that we eliminate or minimize any conflicts of interest with our clients. As such we have adopted and follow a strict Code of Ethics. Our Code of Ethics incorporates the Code of Ethics and Professional Responsibility (Code of Ethics) adopted by the Certified Financial Planner Board of Standards, Inc. and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. We will provide a copy of our Code of Ethics to any client or prospective client upon request. The CPF Code of Ethics can also be obtained at the website <https://www.cfp.net/ethics/code-of-ethics-and-standards-of-conduct>.

We also adhere to the Code of Ethics and Standards of Professional Conduct published by the CFA Institute.

Neither Vernal Point nor any related person of Vernal Point recommends, buys, or sells for client accounts, securities in which we or any related person of Vernal Point has a material financial interest. Vernal Point and/or our representatives may buy or sell securities that are also recommended to clients.

Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Heidi Johnson at (415) 237-3530 or [cco@vernalpoint.com](mailto:cco@vernalpoint.com).

## **Item 12 – Brokerage Practices**

### **Broker Selection/Recommendation**

In the event that the client requests that we recommend a broker dealer/custodian for execution and/or custodial services, we generally recommend that investment management accounts be maintained at T.D. Ameritrade (“TDA”) or Charles Schwab (“Schwab”), Members FINRA, SIPC. In 2020, Schwab completed its acquisition of TDA and expects to combine operations of the two firms in Q3 2023. As a result, all accounts held with TDA will be transferred to Schwab. Once the integration is complete, Schwab will be the primary custodian we recommend.

Factors that we consider in recommending TDA or Schwab (or any other broker-dealer/custodian to clients) include financial strength, reputation, execution capabilities, pricing, research, and service. Although we take into account the commissions and/or transaction fees paid by our clients as part of our duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission/transaction fee 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment management fee.

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from TDA or Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by us may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, software and/or other products used by us in furtherance of our investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist us in managing and administering client accounts. Others do not directly provide such assistance, but rather assist us in to managing and further developing our business enterprise.

Our clients do not pay more for investment transactions effected and/or assets maintained at TDA or Schwab as a result of this arrangement. There is no corresponding commitment made by us to TDA, Schwab or any other any entity to invest any specific amount or



percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Vernal Point's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

We do not receive client referrals from broker-dealers.

We do not engage in directed brokerage arrangements.

To the extent that we provide investment management services to our clients, the transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. We shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13 – Review of Accounts**

Portfolio Reviews will be undertaken: (1) periodically, but no less than annually, as determined by us; (2) upon request by the client, and (3) upon a substantial asset class decline, under the following adopted policies and procedures.

Periodic Portfolio Reviews are undertaken by our advisors to ascertain if the values in any asset class have strayed beyond their target minimums or maximums, and for purposes of meeting a client's cash flow needs. Even if one or more asset classes fall outside their target minimums or maximums, we may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, or our view on whether the asset class is undervalued or overvalued relative to historic norms and our view of the level of the macroeconomic risks to which the asset class may be exposed. Such in-house portfolio reviews are subject to additional restrictions set forth below.

Additional Portfolio Reviews are undertaken upon request by the client, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. We will respond to such requests within a reasonable period of time.

We may also undertake sales and purchases periodically to effect tax loss harvesting.

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

Vernal Point does not directly or indirectly compensate or receive compensation from any person or firm for client referrals.

## **Item 15 – Custody**

Client funds and securities are held with qualified custodians, either TDA, Schwab or a custodian of the client's choice. Each client will receive quarterly statements directly from the custodian showing holdings, transactions and any deposits or debits from the account(s). We recommend that clients carefully compare any portfolio reports or consolidated statements received from us with the custodial statements.

### **Special Client Relationships; Custody Examinations**

In some cases, a VPA employee may act as trustee or manager of a client trust or LLC. In consenting to these requests, VPA is deemed to have custody of the client's assets pursuant to SEC Rule 206(4)-2. We have engaged an independent public accountant to verify the assets of a sample of those accounts by surprise examination at least once during each calendar year.

## **Item 16 – Investment Discretion**

Vernal Point generally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Any investment discretion is obtained in writing through a limited power of attorney. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client.

Discretionary authority allows us to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, we provide ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

We seek to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage us on a discretionary basis may, at any time, impose restrictions, in writing, on VPA's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe our use of margin, etc.).

Some clients may choose to engage us to manage securities on a non-discretionary basis. If we receive non-discretionary authority from the client, we will select the identity and amount of securities to be bought or sold, but must receive approval from the client prior to placing any trades in the client's account. Please be advised that as a result, until we reach the client, no transactions will be placed in any client accounts.

NOTE: When determining whether to engage us on a discretionary or non-discretionary basis, please note that trades for discretionary clients may be placed ahead of non-discretionary clients.

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

Vernal Point 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. We may provide advice to clients regarding the clients' voting of proxies. Clients will receive their proxies or other solicitations directly from their custodian.

## **Item 18 – Financial Information**

Vernal Point does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. We accept limited forms of discretion over clients' accounts, as described in Item 16 of this brochure. We are unaware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Vernal Point has never been the subject of a bankruptcy proceeding.