

**Item 1 - Cover Page**

**Brochure**

**Form ADV Part 2A**

Canopy Partners, LLC

**CRD# 324812**

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**November 13, 2023**

This brochure provides information about the qualifications and business practices of Canopy Partners LLC. If you have any questions about the contents of this brochure, please contact us. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Canopy Partners LLC is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Canopy Partners is also available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

## Item 2 - Material Changes

This Brochure, dated November 13, 2023, was prepared in accordance with the SEC requirements, and contains the following material changes since Canopy Partners' inaugural brochure filed on January 22, 2023.

- The firm updated language in Item 4 – *Advisory Business* to provide updated information around services offered by Canopy Partners LLC.
- The firm updated language in Item 5 – *Fees and Compensation* and Item 10 – *Other Financial Industry Activities and Affiliations* to provide updated information around insurance.
- The firm updated language in Item 17 – *Voting Client Securities* to provide updated information around proxy voting practices.

You may also obtain a copy of our Brochure by contacting the firm by phone at (513) 404-2604.

Additional information about Canopy Partners is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4 - Advisory Business

### General Information

Founded in 2023, Canopy Partners LLC (“Canopy”) operates as a multi-family office and SEC registered investment advisor (RIA) to families of generational wealth and complex financial circumstances. The firm provides a variety of investment, financial, administrative, generational, and lifestyle services to a select group of client members.

### **SERVICES PROVIDED**

Canopy Partners services are all designed and offered in concert with the firm’s belief in achieving the three states of family wellbeing: *financial prosperity, family harmony, and personal fulfillment*.

- Financial Prosperity: Incorporates a family’s financial wealth, with focus on investment activities and the designed use of credit for specific purposes. In this way, we are focusing across the full family balance sheet, measuring success by the growth of a family’s net worth
- Family Harmony: Adopting the best practices of family governance, fostering trust and open communication, and building on collective family strengths will create an environment to preserve family wealth for generations
- Personal Fulfillment: Leveraging and contributing your personal strengths, passions, and ideas to those of the family provide a direction for future leadership

Operating under a membership model, client selection is highly limited, and acceptance is only on approval from Canopy. Generally, new clients are introduced on a referral basis from another family client or other key firm relationship. “Goodness of fit” for both parties is a key determinant in client selection. Canopy’s expertise is best suited for families having or likely to have in the immediate future a net worth in excess of \$30MM. These clients will exhibit the kinds of complex planning, investment and generational needs that are best met by the professional team’s expertise, methods and resources. Once accepted, each family engagement will be highly customized with services designed specifically to meet the family’s requirements now and in the future.

The firm provides a wide variety of services across the investment, financial, administrative, lifestyle, and generational planning areas to its family office clients. At the outset of each client relationship, Canopy spends considerable time with the client, asking questions, and discussing among many things, the client’s current financial circumstances, intentions for the future, family member involvement, seeking to understand the overall family structure, their goals and intentions. This consultative process allows Canopy to assess the current family circumstance and consider the steps and services needed to shift to a new improved, future state.

### Wealth Strategy:

The Canopy Wealth strategy combines expertise in the legal, estate, charitable, generational transfer, and financial planning areas necessary for families of substantial wealth to prosper. The aim of our consultative wealth strategy process is to develop two initial deliverables:

1. *Family Enterprise Map - 1.* A graphic document illustrating the entirety of their current fiduciary, tax/estate, service provider, assets/liabilities and the interrelationship of all therein. It is a picture of the family's total wealth.
2. *Family Enterprise Map - 2.* This map takes into consideration the discussions held during the consultation process incorporating the ideas, observations and recommendations needed to achieve a more successful, intentional future.

The new Enterprise Map-2 is presented and discussed with the client leading to the specific tasks, activities, and services that Canopy may provide to the client. This process further reveals:

- The purpose of any trusts, entities, or other accounts and the related investment policy including each account's risk tolerance and performance goals
- Tax, Estate, Charitable, Insurance or other sophisticated planning needs of the family
- Credit facilities, debts, and the general structure of daily banking and money movement
- The reporting environments for investments and general financial statement preparation
- Other advisors involved across the investment, legal, and tax domains
- Digital and electronic processes and security protocols
- Steps taken for the perpetuation of family wealth, any stewardship practices, and activities focused on rising generation leadership

This work will inform the Canopy investment team as they develop an Investment Policy Statement(s) that outlines the investment strategy, asset allocation, and types of investments Canopy will make or recommend on behalf of the client to meet those goals. The Enterprise Map and the Investment Policy are discussed regularly with each client should modifications be necessary or recommended.

#### Primary and Rising Generation Financial Planning

Canopy provides a wide range of financial planning for the primary generation and also a more specific set of planning items for the rising generation. These planning services will be tailored to the specific needs of each client. Engagements may include advice that addresses areas such as estate planning, risk management, budgeting and cash flow, philanthropic initiatives, generational transfer of wealth, and business ownership. Depending on the situation, the process often follows the below path:

- Gathering factual information concerning the client's personal and financial situation;
- Gathering or developing initial estate planning documents: Wills, Power of Attorney, Living Will and Health Care Power of Attorney
- Assisting the client in establishing financial goals and objectives;
- Analyzing the client's present situation and anticipated future activities in light of the client's financial goals and objectives and overall family circumstances
- Identifying problems foreseen in the accomplishment of these financial goals and objectives and offering alternative solutions
- Making recommendations and designing solutions
- Informing the investment team of any goals so they might design customized portfolios and investment solutions for the client.

### Generational Success

An important aspect of managing wealth is coordination and communication among and between family members. Perpetuating wealth over generations requires a strong approach to the technical aspects of planning and investments, but also to the strategic areas of family goals, communication, and the development of a shared vision for the future. Family-owned business interests, raising children in an environment of wealth, and the inclusion of spouses or adopted children are all common areas of challenge.

Canopy provides families with the technical financial information, the facts and figures, to enable good planning and decision-making. We also counsel families around best practices, good governance structures, may provide workshops and education, and can assist with family retreats and facilitated meetings designed to increase family harmony and create successful transition to the next generation.

### Philanthropic Planning

Many families have shared or individual charitable interests. Canopy provides tools, methods, and expertise surrounding all aspects of charitable giving, including:

- Leading the exploration of individual or family values, passions, and interests
- Charitable formation and the tax and planning aspects of charitable giving
- engaging the next generation in charitable giving
- Digital tools and methods to professionalize family charitable giving

### CFO Services

Canopy will design a comprehensive reporting environment for each client. Our service in this area includes detailed investment and performance reporting, full net worth measurement, and other customized financial reports that may be user defined. We will provide clients with a unique family digital portal and vault where all Canopy and family generated reports, statements, and documents such as Trusts, Wills, and other critical planning items will be securely stored.

### Member Services

It is frequent and customary for families to have independent pre-existing advisors (legal, tax, other) that occupy important planning or service roles. Our team will aim to incorporate these advisors, keeping them involved and aware of your circumstances. We will share the work being done in Canopy ensuring that all advisors are working in alignment and with the latest facts and figures. With client permission, we can also provide any advisor with digital access to specific reports and integrations.

Canopy also has preferred relationships with independent third parties involved in areas of interest to many of our clients. Aircraft ownership, Health & Wellness, Travel Services, and Professional Coaching are some examples of areas where we can provide introduction and coordination of services.

### Investment Consulting and Management

Our investment consulting process begins with a dialog with the client, an assessment of current circumstances, upcoming changes, and discussion of investment goals and tolerance. This consultative process leads to the drafting of an investment policy statement (IPS). The IPS will capture the client's information, their goals, risk tolerance, any constraints or obstacles, and define

how Canopy will measure success. It is an evolving document, frequently consulted and updated as necessary.

With a solid understanding in place, the Canopy investment team will begin to implement the IPS. This will involve defining the purpose of the account, develop the investment strategy, and identify the specific asset allocation goals. The team will further define and develop specific elements such as the use of active and passive managers, SRI or Impact strategies, separate account managers (SMA) and the inclusion of any private capital strategies.

While serving as the primary investment adviser for a client, Canopy will utilize its manager research and due diligence capabilities to choose other investment specialists (each a “Manager”) to direct the investments of various portions of the overall investment portfolio as appropriate. Having access to various Managers offers a wide variety of manager styles, skills, and differentiated areas of expertise leading to increased diversification and stronger risk management. Managing within the parameters of the client's IPS, Canopy will select or recommend the Manager(s) it deems most appropriate for the client. Factors that Canopy considers in recommending/selecting Managers generally includes but is not limited to the client's stated investment objective(s), management style, performance, risk level, area of skill, financial strength, and pricing. The selected Manager(s) will generally be granted discretionary trading authority for the relevant portions of the client's portfolio. Canopy retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent. Fees paid to such Manager(s) are separate from and in addition to the fee assessed by Canopy.

In any case, with respect to assets managed by a Manager, Canopy's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), to make changes or rebalance, and to assist the client in understanding the investments of the portfolio.

Canopy will direct the management of the client's investment portfolio on a discretionary basis. As a discretionary investment adviser, Canopy will have the authority to supervise and direct the portfolio without prior consultation with the client. We also offer non-discretionary services for situations where the client has pre-existing assets or investments that fall outside of our research and due diligence. In such cases, we will integrate these investments into our overall IPS, incorporate them into our reporting environment, monitor their progress, provide tax oversight strategy, and consult with the client offering our advice and opinion.

Notwithstanding the foregoing, clients may impose certain written restrictions on Canopy in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. One should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by considering each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ, and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Canopy.

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

### General Fee Information

Fees paid to Canopy are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third-party consultants. Please see **Item 12 – Brokerage Practices** for additional information. Fees paid to Canopy are also separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). Canopy can assist the client in understanding the full scope of fees charged by any employed funds, strategies, or managers, in addition to those of Canopy, to fully understand the total amount of fees paid by the client for investment and financial-related services.

Governed under our investment management agreement, fees are generally charged based on a percentage of the value of the discretionary assets under management (AUM), starting at 50 basis points and decreasing incrementally to 10 basis points. For any non-discretionary engagements, there is a separate fee schedule ranging from 20 basis points and decreasing incrementally to 4 basis points, and fees are charged based on a percentage of the value of the assets under advisement (AUA). Fees are tailored individually by client need, and negotiated and agreed upon at the beginning of the relationship. Asset management fees are generally payable monthly, in arrears. With client authorization, unless other arrangements are made, asset management fees are normally debited directly from client account(s).

For consideration of all non-investment related services, Canopy employs an annual family office membership fee. This fee provides compensation for services involving wealth strategy, financial planning, banking and credit consulting, all reporting activities, member services, and use of our digital technology environment. Calculated on a per family basis, it is charged once annually. With client authorization, unless other arrangements are made, the membership fee is normally debited directly from client account(s).

Either Canopy or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to Canopy from the client will be invoiced or deducted from the client's account prior to termination.

### Other Compensation

Certain Principals of Canopy may maintain licenses with various life and disability insurance companies. In this capacity, Canopy may arrange and recommend the purchase of insurance products that fit within the wealth planning strategies employed for a client. In these circumstances, Canopy may be entitled to receive a commission or other compensation in the transaction. In all such circumstances, however, the client will be notified of this payment in advance of the transaction. Please note, clients are under no obligation to purchase any of the recommended insurance products.

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

Canopy does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a

performance fee basis. Because Canopy has no performance-based fee accounts, it has no side-by-side management.

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

Canopy serves ultra-high-net-worth individuals and their related entities. Canopy does not generally impose a minimum portfolio value or a minimum annual fee for its services.

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

### Methods of Analysis

In accordance with the Investment Plan, Canopy will design and implement the overall investment strategy for the client investment portfolio. This may involve the use of ETFs, Mutual Funds, Separate Account Managers, or limited partnership structures, all “Managers”. Such Managers are evaluated and selected based on a variety of factors, including, as applicable and without limitation, past performance, fee structure, management team, skill set and area of expertise, and other factors.

### Investment Strategies:

Canopy’s strategic approach is to invest each portfolio in accordance with the Investment Policy Statement (IPS) that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client’s individual circumstances and the Manager(s) selected.

Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities’ short term price fluctuations.

Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Options Trading/Writing: a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

### Risk of Loss

While Canopy seeks to diversify clients’ investment portfolios across various asset classes consistent with their IPS in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While Canopy recommends one or more Managers based on our experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that a Manager allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that Canopy's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, a Manager(s) may invest client portfolios in mutual funds, ETFs, and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Risks Related to Private Investments and Alternative Investment Vehicles.* Canopy may allocate and invest a portion of a client's portfolio in alternative vehicles, such as those found in private capital, private debt, private real estate, and those operating as hedge funds. The value of client portfolios will be based in part on the value of these alternative investment assets, the success of each will depend heavily upon the efforts of their respective Managers. When a Manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the Manager may decline in value. A client account may lose a substantial percentage of its value if the investment results of many or most of the alternative investment vehicles in which it is invested are performing poorly at the same time, or many or most of the Managers make unsuccessful investment decisions at the same time.

*Equity Market Risks.* Manager(s) will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* Manager(s) may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* Manager(s) may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client

investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Margin Risk.* Canopy does not use margin as an investment strategy. However, clients may elect to borrow funds against their investment portfolio. When securities are purchased, they may be paid for in full or the client may borrow part of the purchase price from the account custodian. If a client borrows part of the purchase price, the client is engaging in margin transactions and there is risk involved with this. The securities held in a margin account are collateral for the custodian that loaned the client money. If those securities decline in value, then the value of the collateral supporting the client's loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in the client's account. The brokerage firm may issue a margin call and/or sell other assets in the client's account to accomplish this. It is important that clients fully understand the risks involved in trading securities on margin, including but not limited to:

- It is possible to lose more funds than is deposited into a margin account;
- The account custodian can force the sale of assets in the account;
- The account custodian can sell assets in the account without contacting the client first;
- The account holder is not entitled to choose which assets in a margin account may be sold to meet a margin call; The account custodian can increase its "house" maintenance margin requirements at any time without advance written notice; and
- The account holder is not entitled to an extension of time on a margin call.

*Derivatives Risk:* A Manager may, for certain clients that qualify as "accredited investors" and for whom it is appropriate, invest portions of the client assets in derivative financial instruments ("derivatives") including, without limitation, futures, options, interest rate swaps, forward currency contracts and credit derivatives such as credit default swaps. A small investment in derivatives could have a potentially large impact on an investor's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. These risks include: (1) counterparty risk; (2) interest rate risk; (3) basis risk; (4) settlement risk; (5) legal risk; (6) operational risk; and (7) market risk. Counterparty risk is the risk that one of the Fund's counterparties might default on its obligation to pay or perform generally on its obligations. Interest rate risk is the general risk associated with movements in interest rates. Basis risk is the risk associated with the relative movements in two (related) rates or prices. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Market risk is the risk of potential adverse changes in the value of financial instruments resulting from changes in market prices, such as interest, commodity and currency rate movements. In addition, derivatives can be highly volatile, illiquid and difficult to value.

*Options Risk.* A small investment in options could have a potentially large impact on an investor's performance. The use of options involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid

and difficult to value, and there is the risk that a hedging technique will fail if changes in the value of a derivative held by an investor does not offset the value of the securities being hedged.

### **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 a client's evaluation of Canopy or the integrity of Canopy's management. Canopy has no disciplinary events to report.

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

Canopy Partners recognizes its fiduciary duty to act in the best interest of its clients at all times. None of the principals of Canopy Partners has an application pending, affiliation or financial arrangement with any broker-dealer, investment fund/company, or other financial intermediary that would potentially create a conflict of interest with clients.

As described in **Item 4 - Advisory Business**, Canopy may assist clients in the identification and selection of life insurance. While Canopy principles or staff are not directly employed by any insurance company, certain Principals of Canopy may maintain licenses with various life and disability insurance companies. We provide selection and placement services in connection to and alignment with client wealth planning objectives. In such cases, Canopy may be eligible for commission on the placement of said insurance. Any commission will be disclosed to clients. Please note, clients are under no obligation to purchase any of the recommended insurance products.

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

#### Code of Ethics and Personal Trading

Canopy has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Canopy's Code has several goals. First, the Code is designed to assist Canopy in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Canopy owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with Canopy (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Canopy's associated persons. Under the Code's Professional Standards, Canopy expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Canopy associated persons are not to take advantage of their positions in relation to Canopy clients.

Third, the Code sets forth policies and procedures to permit, monitor and review the personal trading activities of associated persons. From time to time, Canopy's associated persons may invest in the same securities recommended to clients. Under its Code, Canopy has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of

personal trading activities. These policies are designed to encourage more alignment between clients and Canopy associated persons. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

As outlined above, Canopy has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. Consistent with the foregoing, Canopy maintains policies regarding participation in initial public offerings ("IPOs") and private placements to comply with applicable laws and avoid conflicts with client transactions. If a Canopy associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer. Further, any investment into a private placement by a member of Canopy will be disclosed to any client who is also considering, or being recommended, the same investment.

### **Item 12 - Brokerage Practices**

As described earlier, Canopy typically hires Separate Account Managers (SMA's) to manage the day-to-day trading activities of its clients' accounts. When considering various Managers, Canopy reviews the "best execution" policy of each Manager. Best execution is a combination of several factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Canopy may use Managers with brokerage arrangements that do not result in the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination) and may be used in servicing any or all of a Manager's clients. Therefore, research services received may not be used for the account for which the particular transaction was affected.

Canopy participates in the Schwab Advisor Services and related Family Office program (Schwab). While there is no direct link between the investment advice provided by Canopy and its participation in the Schwab program, Canopy may receive certain economic benefits. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of Canopy's fees from its clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of Canopy's accounts.

In the first year of operation, Canopy will participate in Schwab's Client Benefit Program (Program). This program is offered to select advisors and is designed to support the formation, compliance, technology, investment and wealth management, communication and/or operational activities of the business. The program may pay third party vendor invoices for eligible products or services deemed to be of benefit to clients. The program does not provide funds for Canopy compensation of staff or any direct payment, only payments to eligible vendors for services rendered.

Schwab may also make available to Canopy other services intended to help Canopy manage and further develop its family office business. Other services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these

types of services to be rendered to Canopy by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to Canopy, and/or Schwab may pay for travel expenses relating to participation in such training. Finally, participation in the Schwab Advisor Services program provides Canopy with access to a marketplace of separate account managers, mutual funds, and other securities which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the Schwab program do not necessarily depend upon the proportion of transactions directed to Schwab. This means that the investment activity in client accounts is beneficial to Canopy, because Schwab does not assess a fee to Canopy for these services. This creates an incentive for Canopy to continue to recommend Schwab to its clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, Canopy believes that Schwab provides an excellent combination of these services resulting in a better overall value to Canopy clients. These services are not soft dollar arrangements but are part of the institutional platform offered by Schwab.

#### Directed Brokerage

Clients may direct Canopy to use Managers that utilize a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, to the extent possible, Canopy will assist the client in negotiating the commission rates and other fees to be paid to the broker. However, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that Canopy has with Schwab is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers can in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

#### Aggregated Trade Policy

On occasions where Canopy is placing trades on behalf of clients, these transactions are highly customized to individual client requests, investment strategy, and objectives. Canopy does not typically aggregate trades across client accounts. Most of our trading activity is performed by the sub-advisors Canopy uses to service client accounts.

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

Client portfolios are reviewed at least quarterly but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by Canopy. These factors generally include, but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms.

In addition, Canopy's practice is to provide a comprehensive quarterly report for each managed portfolio. This written report normally includes a review of asset allocation vs investment policy, summary of portfolio holdings, calculation of net worth, and a variety of performance results. Additional customized reports are available at the request of the client.

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

As noted above, Canopy receives an economic benefit from Schwab in the form of support products and services it makes available to Canopy and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described in Item 12 - Brokerage Practices. The availability of Schwab's products and services to Canopy is based solely on our participation in the programs and not in the provision of any particular investment advice. Neither Schwab nor any other party is paid to refer clients to Canopy.

#### **Item 15 - Custody**

Canopy will never take direct custody of client assets. We utilize professional, qualified custodians for the purpose of custodial services. Private investments are held by the General Partner of the fund and will provide direct communications to Canopy including activities surrounding subscriptions, capital calls, valuations, and tax documents. Canopy will compile and aggregate this information and provide reporting services to our clients. These reports should be compared to any statements provided by the custodian or general partner.

It is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Canopy provides assistance to clients by offering tax organization services, incorporating Schwab tax documents and those of other non-custodied assets including private capital investments. Clients are advised to review this information carefully, and to notify Canopy of any questions or concerns.

#### **Item 16 - Investment Discretion**

As described above under **Item 4 - Advisory Business**, Canopy manages portfolios on a discretionary basis. This means that after an Investment Policy is developed for the client's investment portfolio, Canopy will execute that plan without specific consent from the client for each transaction. For discretionary accounts, a Limited Power of Attorney ("LPOA") is executed by the client, giving Canopy the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. Canopy then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with Canopy and the

requirements of the client's custodian. The discretionary relationship is further described in the agreement between Canopy and the client.

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

As a policy and in accordance with Canopy's client agreement, Canopy votes proxies related to securities held in certain client accounts. (Separate Account Managers will be responsible for voting proxies related to the securities held in the accounts for which they have trading discretion.) Clients may contact Canopy with questions relating to proxy procedures and proposals.

#### **Item 18 - Financial Information**

Canopy does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.