Item 1: Cover Page

BALLENTINE PARTNERS

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FORM ADV Part 2A

This brochure provides information about the qualifications and business practices of Ballentine Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (617) 314-1300 or at our corporate headquarters address above or through our web site at https://ballentinepartners.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 Ballentine Partners, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material changes in our business since our last ADV Form filing:

There have been no material changes in our business since our last annual ADV filing on March 18, 2020.

Item 3. Table of Contents

Item 4. Advisory business: history, ownership & services

A. History of our firm; ownership of our firm

Ballentine Partners' mission is to help the families we serve make smart decisions about their wealth, giving them the freedom to focus on the lives they want to. Many of the decisions we made about how to structure our practice and how to address conflicts of interest are based on the experiences of our founder, Roy Ballentine, with his own family's situation during the early 1980s – before Roy knew anything about wealth management. Roy's parents had a sophisticated estate plan that included multiple trusts, partnerships, and corporations. But, when his father died in 1984, he learned the hard way about the challenges of managing wealth, balancing family needs, and the wishes of individual family members. After the estate was settled, Roy chose to change careers. He began to search for a better way to address the demanding requirements of family wealth management.

What Roy's family desperately needed and did not get was *comprehensive*, *integrated*, *objective advice* that addressed the issues and problems that later became difficult to address. They had no advisor to provide guidance about a *strategic plan* for their family's wealth. There was no *team leader* who could help them to realize the benefits of *collaboration* among specialty advisors.

In 1984, Roy founded Ballentine & Company, Inc., a wealth advisory firm, resolving to help other families achieve much better results than his family experienced. In 1997, the firm became Ballentine, Finn & Company, Inc. On January 25, 2010, the shareholders of Ballentine, Finn established Ballentine Partners, LLC ("the Company") and transferred the entire business to that entity.

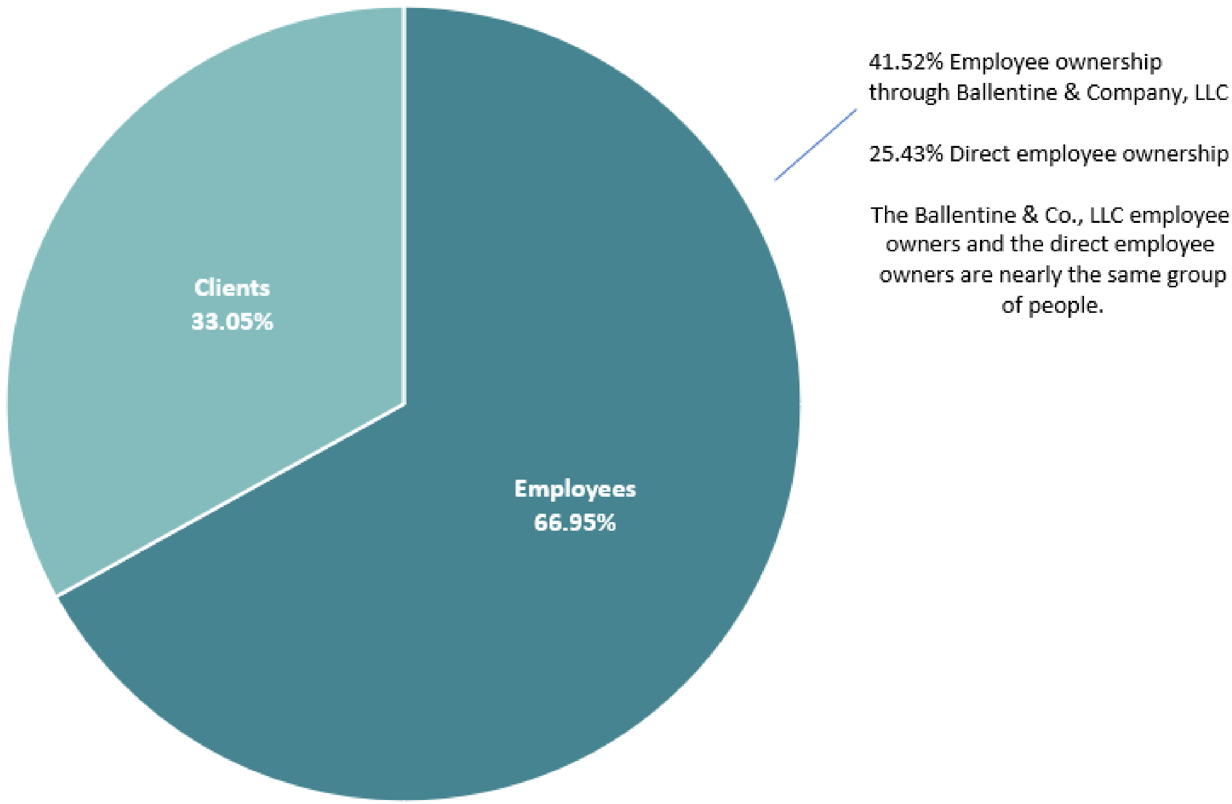
As part of the company's succession plan, in January of 2016, Drew McMorrow was appointed Chief Executive Officer of Ballentine Partners, LLC. Drew has been a member of the team since 2002 and has served as President of the firm since 2011. Drew's appointment as Chief Executive is the continuation of a process that we began in 2011 to transition the leadership of the firm to the next generation. Our goal is to have Ballentine Partners remain under the ownership and control of its senior team members so it will remain independent and properly positioned to deliver objective advice to families we serve. Roy Ballentine continues with the firm as Executive Chairman.

The ownership of Ballentine Partners, LLC is detailed on the Form ADV 1, which can be accessed through the SEC's website: https://www.adviserinfo.sec.gov/.

Ballentine Partners, LLC is majority-owned and controlled by its senior employees, either through direct ownership or indirect ownership through Ballentine & Company, LLC. In 2013, Ballentine Partners, LLC implemented an equity compensation plan and began making equity grants to senior employees. The Company intends to make additional equity grants to increase the share of equity that is directly owned by the Company's senior employees.

In 2010, two clients of the firm, Mr. Paul Montrone and Mr. Paul Meister, acquired an interest in Ballentine Partners, LLC. Paul Montrone and Paul Meister are long-time business partners and well-known private investors. They own their interest in Ballentine Partners through Perspecta Investments LLC, which is in turn owned by various family trusts established by Mr. Meister or Mr. Montrone.

Figure 1: Ballentine Partners, LLC Ownership[1]



B. Types of services we offer

1. Overview.

Ballentine Partners' goals are to help you to:

- Protect, preserve, and grow your wealth so you can meet your financial goals;
- Feel in control of your wealth, rather than to experience wealth as a burden; and
- Prepare the next generation to be financially self-sufficient and to be good stewards of the family's resources.

[1] The Montrone entities are: Bayberry BP LLC, and Bayberry 2006 Trust. The Meister entity is his revocable trust.

Ballentine Partners, LLC

We serve families with investment assets of $3.5 million or more. Our largest clients have family net worth of more than $1 billion. We specialize in managing privately-owned wealth. We have structured our firm to minimize conflicts of interest between ourselves and you. We do not sell any insurance or investment products. We have only one source of income – fees paid to us by our clients. Each client fee agreement is simple, and the costs are fully disclosed to each client.

Our Wealth Management clients – generally families with assets of $20 million or more – receive extensive financial planning advice and investment management services on an on-going basis. This advice includes analysis of cash flows, balance sheet, estate plan, insurance coverage, debt, income tax planning, etc. Most Wealth Management clients receive quarterly financial statements covering all major aspects of each client's situation. Wealth Management clients have access to both public and private investment vehicles. For clients who wish to participate in private investments, we make those investments on both a discretionary and non-discretionary basis, based on each client's wishes.

Our clients with assets between $3.5 million and $20 million usually prefer to focus on investment management and need only occasional financial planning advice. Those clients are served by a dedicated team using the same investment research we apply to larger relationships, using mostly liquid investment vehicles that are better suited to those clients' investment needs.

We also provide investment advice to charitable foundations and other tax-exempt organizations. Many of the charitable organizations we serve were created by our private clients.

Our primary business is providing families with objective advice about a wide array of financial strategies and, for our Wealth Management clients, providing an alternative to the cost and complexity of setting up a single-family office. Families who prefer to maintain a family office rely upon us to provide advice and implementation services beyond what their own staff is able to deliver. The range of services we offer each family depends upon the family's needs, desires, and the complexity of their financial situation.

Our advisory capabilities include:

- Investment strategy and implementation – we manage accounts on both a discretionary and non-discretionary basis;
- Traditional investments – both actively managed investments and index investments;

- Alternative asset classes (real estate, private equity, venture capital, etc.);
- Alternative investment styles (hedge funds, commodity trading advisors, etc.);
- Asset protection planning;
- Advice about the impact of wealth on marital and family relationships;
- Estate planning advice;
- Income tax planning and forecasting;
- Property, casualty, and liability insurance;
- Life, disability, medical, and long-term care insurance;
- Closely held business interests – tax planning for owners, succession planning, preparing the next generation of family owners, preparing for sale, estate planning, financial risk management;
- Cash flow planning and forecasting;
- Bill payment and cash management systems;
- Balance sheet management;
- Charitable giving, administration, and management of family charitable foundations;
- Lifetime gifts to family members;
- Trust accounting and administration;
- Family partnerships, LLCs, and other family business entities;
- Family office administration; and
- Lifestyle management (aircraft, yachts, vacation homes, household staff, etc.).

A distinguishing feature of our firm is that we put an experienced wealth manager, not a salesperson, in charge of every client relationship. These experienced advisors are the primary link with our clients, and they get to know the families they serve very well. This means every time you want advice about a significant issue, you will be working with an advisor who has deep technical skills and detailed knowledge about your situation to help you seize opportunities and identify potential problems. When it comes time to implement a recommendation, we are prepared to manage whatever work needs to be done. Our goal is to make wealth management as simple as possible for you.

Many of our family relationships are multi-generational. We often work with younger members of the family to help them acquire necessary financial skills. We can also provide direction and coordination for our clients' other advisors, so our clients are relieved of day-to-day concerns about the management of their financial affairs.

We have extensive experience with family office planning and administration. We have helped families establish family offices or reorganize family offices that were already in existence when we began working with them. We have experience managing family office relationships that involve multiple foreign jurisdictions.

2. Investment supervisory services.

We serve as your family's Chief Investment Officer. We manage accounts on both a discretionary and non-discretionary basis. We help you design and implement investment strategies for all of the investment assets on your family's balance sheet, no matter how those assets are held (directly owned, held in trusts, held in privately owned companies, or held in private foundations), and *regardless* of which investment firm is making the day-to-day investment decisions. The strategies we use are described in Item 8. , which begins on page 18.

Most of our clients are individual investors who are required to pay taxes. Our investment advice is customized for you and is guided by four key tenets that are reflected in the following questions:

- What is the optimal strategy or choice for your family? We try to put ourselves in your shoes, applying all of the information we have collected about your situation, and applying all of our technical skills.

- What strategy is consistent with your risk management goals? Risk analysis requires that we gather detailed information about your risk exposures, tolerance for various types of risk, and what you have already done to mitigate risks. Risk tolerance cannot be measured with a simple questionnaire.

- What is the expected net return, after all trading costs, management fees, market impact[2] and taxes? For investors who must pay taxes, the net return is the only return that matters.

- What other factors need to be taken into account? Most investment recommendations have implications for your cash flow, tax situation, estate plan, and charitable gift planning.

We provide advice about a wide range of investment possibilities, including advice about investment products offered by other firms and, upon request, advice about direct investments in private companies and real estate. We seek to provide you with access to the best investment products and managers that the marketplace has to offer. A substantial portion of the assets we oversee is managed by other firms we have recommended.

We search for the most attractive investment products. Our investment research includes coverage of real estate funds, hedge funds, private equity funds, venture capital funds, and natural resource funds. These are the areas where active management is most likely to add value in excess of its costs. Many of our clients make investments in closely held companies. Upon request, we will help you to find the right resources to analyze a private investment opportunity.

3. <u>Discretionary vs. non-discretionary accounts.</u>

We manage investments on both a discretionary and non-discretionary basis. “Discretionary” means that you authorize us to buy and sell securities in your accounts without seeking your prior approval for each transaction. “Non-discretionary” means that we must obtain your approval before making any changes to an investment account.

If you engage us to provide investment advice on a non-discretionary basis, we will not be able to make any changes to your account until you respond to an approval request. Any delay in responding may be to your disadvantage. If you have directed brokerage to a particular firm, you may also pay brokerage costs that are higher than necessary. Please refer to, “Directed brokerage,” Item 12. A.4.

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[2] Market impact – this term refers to the risk that a transaction to purchase or sell a security may actually cause the price of the security to change in a way that is disadvantageous for the investor. For example, if an investor owns some bonds that are seldom traded, the investor’s attempted sale of some of her holdings may depress the market price of the bond, thereby adversely affecting the value of the bonds that the investor continues to hold.

4. Portfolio activity.

We have a fiduciary duty to provide services consistent with your best interests. We attempt to minimize the portion of your investment returns lost to taxes. We also aim to guide you to an asset allocation policy that is consistent with your long-term goals and that you will feel comfortable holding through thick and thin. This means there may be long periods when we do little or no trading in your accounts. We will review your accounts on an ongoing basis to determine if any changes are necessary based upon various factors including, but not limited to, changes in your financial condition, changes in market conditions, investment performance, or a change in your investment objectives. There may be extended periods of time when we determine that changes are neither necessary nor to your advantage. Our advisory fee remains payable during periods of account inactivity. There is no assurance our investment decisions will be profitable.

C. Customized services

We customize both our wealth planning services and our investment services to fit your needs. Our wealth planning services are highly customized because every client has a very unique situation that requires a different combination of the services outlined above. Investment portfolios are tailored to fit each client's circumstances. For instance, some clients have large real estate holdings while others have concentrated equity positions in either public or private companies. Some clients have excluded almost all U.S. dollar denominated securities from their portfolios. This kind of customization is routine in our practice.

1. Our consulting & implementation services.

As a regular and substantial part of our business, we provide financial planning and related consulting services regarding matters other than investments. (Please refer to the list in item 4 B.1 for examples.) For most engagements, we propose a single fee covering all of our services for at least a year. The level of intensity of work and the scope of services we provide may vary over the course of a year. We do not adjust our fee in response to those changes because for a variety of reasons it is both inappropriate and impractical to do so. If you request a service that is outside the scope of services you negotiated and which represents significant additional work for us, we may request a separate project fee to cover that additional work. We do not serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as such. We do not prepare estate planning documents, tax returns, or sell insurance products. Upon request, we may recommend other professionals to provide legal, tax, accounting, insurance or other services. You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from us. We do not assume any liability for the performance of unaffiliated professionals.

2. <u>Retirement account rollovers; potential for conflict of interest.</u>

If you own any type of IRA account, or if you have a qualified plan with your employer and you terminate your employment, you may have up to four options with respect to your retirement accounts: (1) leave the money where it is, (2) roll the money over to a new employer's plan, (3) roll the money into an Individual Retirement Account ("IRA"), or (4) withdraw the money and pay taxes on it (and penalties, if applicable).

Approximately one-half of our clients have negotiated flat fee arrangements for all services we provide, and the other half have fees based on assets managed or overseen by us. If your fee is based on assets under management and we recommend that you roll your retirement money into an account managed by us, we will be subject to a conflict of interest because the account will generate additional fee income for us. We operate under a fiduciary standard when giving you advice of any kind. You are not under any obligation to rollover retirement plan assets to an account managed by us.

3. <u>Use of mutual funds and Exchange Traded Funds ("ETFs").</u>

Mutual funds and exchange traded funds similar to those we use in clients' portfolios are available directly to the public. You can purchase those investments without engaging us as your investment advisor. All investors pay brokerage costs and management fees that are embedded in mutual funds and ETFs. If you engage us, you will also incur our fee.

4. <u>Private investment funds.</u>

If you wish to invest in private investments, we can assist you on either a discretionary or non-discretionary basis. Some private investments may be over-subscribed. If an investment is over-subscribed, we favor our clients over our employees; our employees are not allowed to invest. If an investment is not over-subscribed, our employees are allowed to invest on exactly the same terms as our clients. Our Chief Compliance Officer supervises employees' behavior in this regard.

The value of private funds may be included in the calculation of our advisory fee. You are under no obligation to make an investment in a private fund. Private funds generally involve many risk factors including, but not limited to: the potential for *complete loss of your capital*, lack of liquidity, lack of transparency, lack of marketability, and the fund sponsor's conflicts of interest.

5. <u>Direct investments.</u>

A direct investment is an investment in a private company or real estate. For example, some of our clients have made direct investments in private companies and income-producing real estate. If you are interested in direct investments, we will assist you on a non-discretionary basis. Our analysis will be based upon the documentation and other information provided to us by you or the sponsor of the investment, and upon our general knowledge of investments. We do not claim to have expertise in investment banking, or any industry-specific expertise. Your Client Agreement[3] will state whether the value of direct investments is included in the calculation of our advisory fee. You are under no obligation to make any direct investments.

6. <u>Specialty investment managers; sub-advisory relationships.</u>

After discussion with you about your investment choices, we may allocate a portion of your investment assets among unaffiliated specialty managers with whom we have sub-advisory agreements ('sub-advisors"). For example, we have relationships with bond managers to whom we delegate investment authority. Those specialty managers have day-to-day responsibility for discretionary management of the allocated assets. We select sub-advisors based on a variety of factors including, but not limited to, reputation, integrity, financial strength, corporate culture, fit with your investment objectives, investment performance net of fees and taxes, reporting, and client service. Investment fees of sub-advisors are separate from and in addition to our fee. We have negotiated fees with those managers on behalf of all of our clients, so that all clients are subject to the same fee schedule. We do not participate in any portion of those fees. Our goal is

[3] We have several forms of client service agreements, all of which are referred to in this document as "Client Agreement."

to minimize the fees our clients pay to subadvisors, consistent with receiving a high level of service.

The shareholders of some sub-advisors are individual clients of Ballentine Partners, which creates a conflict of interest for us because our decision to refer assets to a manager may increase the wealth of one or more of our clients who are owners of that firm. You are under no obligation to use any sub-advisor. We encourage you to inquire about conflicts of interest between us and any investment manager we may recommend.

7. Qualified retirement plans.

Trustee-directed plans: If you are a trustee of a qualified retirement plan (a "Plan") and you engage us to provide investment advice to the Plan in your capacity as trustee, we will serve as an investment fiduciary as that term is defined under the Employee Retirement Income Security Act of 1974 ("ERISA"). If the Plan is participant-directed, we will assist you with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by us), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

Advice about your qualified plan investments: Upon request, we may agree to provide you with advice about how to invest your retirement assets held in a qualified plan. Generally, you will be responsible for implementing our recommendations. Our fee for advisory services must be charged to one of your personal accounts; we cannot receive any fee compensation from your qualified retirement account or the Plan's sponsor. You are responsible for notifying us of any changes to the Plan and its associated investment menu.

8. Your obligation to notify us of changes in your situation.

It is your obligation to keep us informed of information about your situation that may be relevant to our advisory relationship, and we shall be entitled to rely upon the accuracy of information you provide without making any attempt to independently verify that information.

D. Our relationships with other investment managers; wrap fee programs

We have no fee-sharing arrangements with other investment managers. We do not participate in any wrap fee programs.[4]

We maintain relationships with many investment managers who offer specialized products and investment strategies that are of interest to our clients. Our recommendations are governed solely by our assessment of the quality of the manager's offering and how well that offering fits the needs of our clients.

We decline all offers by outside managers to participate in fee-splitting arrangements and other forms of compensation. We use the collective purchasing power of our clients to negotiate favorable fee arrangements. All fee discounts are passed through to our clients. This is a direct benefit to you, and it eliminates another key area of conflicts of interest between us and you.

We also have relationships with other wealth managers who delegate investment authority to us for some or all of their clients' assets. We invest those assets in the same manner as other clients' assets.

E. Client assets under our advice

Table 1 shows the approximate amount of client assets under our advice.

[4] A wrap fee program is an investment arrangement under which a client opens an investment account with advisor "A", who then parcels out the money to be managed by a number of separate investment management firms, "B", "C" and "D". The client is charged a single fee by advisor A, who then shares that fee with managers B, C and D. In our opinion, these types of programs are not well-suited for the families we serve, and they represent a serious conflict of interest between advisor and client.

Table 1: Assets under our advice as of December 31, 2020

Description	Amount
Client assets managed on a discretionary basis[5] by Ballentine Partners	$6,390,275,738
Client assets overseen by us[6] but managed by other investment firms	$2,283,104,268
Other client assets under our advice[7]	$8,553,626,567
Total client assets under our advice	$17,227,006,573

Item 5. Fees and compensation; valuation of securities

A. Methods of compensation

Our primary source of compensation is from fees paid to us by our clients in exchange for advice and other services we provide. We also receive income from speaking engagements and book sales. Our income from our relationship with you is fully disclosed in our Client Agreement with you. This makes it very easy for you to determine your costs with us. We do not receive any compensation from the sale of investment or insurance products, or from other investment managers whom we may recommend. Our gifts and entertainment policy requires employees to avoid lavish gifts and entertainment offered by investment managers and service providers.

We customize the fee arrangement for you, based on the amount of staffing and other resources that your engagement will require. The fee agreement covers all services we contract to deliver to you. Our fees are generally based on one of the following systems:

- A percentage of assets under our advice;
- A flat fee that is periodically renegotiated approximately annually; or
- Project fees.

[5] Discretionary means that we make investment decisions without consulting you. We are required to make our decisions within the guidelines of your Investment Instructions. Please refer to Item 16. for more information.
[6] We provide strategic investment advice and wealth planning advice related to these assets, but we are not responsible for the day-to-day investment decisions.
[7] This is the approximate value of other client assets that are under our strategic wealth planning advice.

Some of our clients pay fees based on assets under management, while others pay flat fees. Investment accounts are managed the same regardless of the fee arrangement. A flat fee is usually better suited for families with large, complex situations where most of the family's assets are committed to operating companies or other illiquid investments.

If your fee is a calculated amount based on assets under management, we will use the gross value of your account to calculate our fee. Therefore, if you borrow against the value of any account whose value is included within the scope of our fee agreement, the amount you borrow will not impact the fee we charge.

Because our fee is based on the scope of services we provide to each family and subjective factors such as the degree of complexity in a family situation, it is likely our fee will differ for families with similar amounts of investment assets. Also, the level of intensity of work and the scope of services we provide is likely to vary over the course of a year. We do not adjust our fee in response to those changes because for a variety of reasons it is both inappropriate and impractical to do so.

If you engage us to work on a special project with a defined scope and duration, we will negotiate fees and payment terms as part of the engagement letter defining the project.

B. Invoicing and payment of our fee

Our fee is clearly disclosed each quarter on an invoice that we send to you. If you request invoicing at some other interval, we will be glad to consider your request. Fees are generally payable in advance at the beginning of each quarter. For partial quarters, the fee is pro-rated based on a seven-day week. You may pay the fee by check, wire transfer, or have the fee deducted from one of your family's investment accounts.

C. Fees embedded in investment products

Many investment vehicles contain fees that are separate and apart from our fee. Clients sometimes invest in a diversified portfolio that may include index funds or Exchange Traded Funds (ETFs), actively managed mutual funds, one or more private account managers (not affiliated with us), or private placements. These investment vehicles all charge separate fees and trading costs which are paid directly by the investor. Our clients pay these costs directly to the outside managers and pay trading costs directly to a broker. We assist our clients in negotiating favorable fee agreements. We do not receive any portion of the fees paid by our clients to other investment firms, brokers or product providers. Our objective is to help our clients avoid paying unnecessary costs. For more information about trading costs, please refer to Item 12. on page 34. For more information about custodial fees, please refer to Item 15. on page 39.

D. Termination of services, refund of a pre-paid fee

A Client Agreement can be terminated by either party with proper notice to the other party as specified in our agreement with you. If you terminate a Client Agreement part-way through the quarter, we will promptly refund the unearned portion of the quarterly fee. Fees are pro-rated on a daily basis (based on a seven-day week).

E. Compensation for sale of securities, or other investment or insurance products

Neither our firm, nor our employees, receive compensation for the sale of securities, investment products, insurance products or any other transaction-based compensation.

F. Valuation of securities

The value of liquid investments will be determined on the last day of the previous quarter, using values shown on your brokerage statements, or other pricing sources if we determine that your brokerage statements are not a reliable source of pricing information. Our goal is to provide fair and accurate pricing for all securities.

The value of illiquid and difficult-to-value assets such as hedge funds, investment real estate, and private investments will be determined using the most recent report provided by the investment manager or sponsor, if such a report is available. Otherwise, we will use the original purchase price. Alternatively, you and Ballentine Partners may agree upon a value. Typically, the valuation date for illiquid assets will lag the valuation of public securities by at least one calendar quarter. In some cases, managers may value private value investments only once per year.

Item 6. Performance–based fees[8] and side-by-side management[9]

We have no performance-based fee arrangements. Performance-based fees are not a good fit for our clients and the type of advice we provide. As mentioned elsewhere in this document, there are additional management fees that outside managers charge our clients. Sometimes those have a performance-based component. None of those fees flow to us.

We do not engage in "side-by-side management." All our clients have access to the same investment opportunities, except for differences between clients due to the size of their portfolios.

Item 7. Types of clients

We provide investment advice to the following types of clients:

- Individuals,
- Trusts and estates,
- Charitable foundations, charitable trusts, and other non-profit organizations, and
- Pension and profit-sharing plans.

Most of our clients are individuals or trusts. The trusts, charitable organizations, and retirement plans we serve are generally closely related to our individual clients.

We serve families with at least $3.5 million of investment assets. Many of our clients are families with large, complex financial situations, who want objective advice, and who are seeking to optimize the use of their financial resources.

Item 8. Methods of analysis, investment strategies and risk of loss

A. How we analyze your situation

We serve as your family's Chief Investment Officer. We provide you with advice about

[8] A "performance-based fee" is a fee that is based on the investment gains in an account. In effect, the investment manager receives a portion of any profit that the manager is able to generate.

[9] "Side-by-side management" refers to the possibility that we may be favoring one group of clients over another (or favoring employees and family members) because of differences in the way assets are managed or fees are calculated.

asset allocation[10], asset location[11], and risk management[12] for many asset classes and investment strategies. We have developed a rigorous investment process that is designed to help you create a customized portfolio that is right for your family. We implement some investment strategies ourselves and some through managers we recommend. Our decisions about what we do in-house and what we outsource are driven by our analysis of the quality of implementation, and total cost of execution for our clients. We are happy to share our analysis of these issues with you.

In addition to mathematical and statistical tools, we use scenario analysis to construct investment portfolios. The objective of scenario analysis is to produce better quality thinking about the future than is likely to be achieved using traditional forecasting techniques. Scenario analysis is like using a wind tunnel to test the construction of a portfolio under various conditions to learn how the portfolio may perform in the real world. It relies on understanding causality rather than requiring probability estimates for events that everyone knows are unpredictable.

Our goal is to help you construct the right investment portfolio for your situation. We rigorously analyze your situation and make investment recommendations that are customized for you. Most of our clients hold very broadly diversified portfolios. But, some of our clients hold portfolios that are not diversified, because that is the optimal choice for them.

Here are some examples of factors we will analyze when making investment recommendations for you:

- Your investment objectives – What are you trying to achieve and why? What will happen if you fail to achieve your investment objectives?
- Your balance sheet – How large is your pool of investment assets? How much debt do you carry? What is your ratio of liquid to illiquid assets? What is your ratio of personal use assets to investment assets? Do you have concentrations of risk on your balance sheet?

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[10] "Asset allocation" refers to the decision that each investor makes about which asset classes to own, and how much capital to invest in each of those asset classes. There is no universally agreed upon definition of what constitutes an asset class.

[11] "Asset location" is often just as important as asset allocation. Asset location refers to the decision an investor makes about the manner in which an asset is owned. Wealthy families often have retirement accounts, trusts, corporations, LLCs, and personal accounts. Each of those potential owners has different tax and other characteristics that need to be taken into account. For example, if an investment produces income that is taxed at a high rate, an investor may decide to put that asset in a tax-deferred retirement plan.

[12] "Risk management" refers to all types of risk, not just the risk of losses due to poor investment performance. For example, assets may be lost due to tort claims, or due to the failure of a lender to be able to keep its commitments.

- Your investment assets – What investments do you already own? How are they performing? What is your asset allocation? How are your investments owned? What types of investment risk are you most exposed to, and why?

- Single security – Do you own a large amount of a single security? If so, why? How long will you continue to hold it? What risk factors are associated with it? How do you feel about it?

- Your cash flow – What is your cash flow situation? How dependent are you upon the income generated by your investments? What is the ratio of your cash withdrawal v. the size of your investment assets? How is your cash flow situation projected to change over time?

- Your time horizon – If you are accumulating assets for a specific purpose, how much do you need and by what date? If you are drawing upon your assets, for how long do you need to be able to sustain the withdrawals?

- Currencies – Which currencies are you most dependent upon? How will your financial situation be affected by currency exchange rate fluctuations?

- Your experience – What investment experience have you had? Which types of investments are familiar? Which are new to you? How well do you feel you understand the investments you are about to make?

- Your tolerance for illiquidity – How do you feel about committing to long-term investments that are likely to be very difficult to convert back into cash prior to their maturity? (And, the date of maturity is also uncertain.)

- Your tolerance for complexity – How do you feel about investments that have a high degree of legal, structural and / or tax complexity?

- Your estate goals and lifetime wealth transfer goals – How do your investments relate to your goals for lifetime wealth transfer, charitable giving, and estate planning?

- Your tolerance for risk – What is your tolerance for various types of risk? This cannot be done through the use of simple questionnaires. Our assessment of your risk tolerance is based upon our analysis of the factors described above, and any other relevant factors that we discover in our work with you.

- Your target return objective – What is your return objective? We help you to set a personal return objective. Many of our clients employ several return objectives simultaneously to measure how they are doing.

Every investment involves a risk that at least some, and perhaps all, of your capital will be lost. One of the goals of our analysis is to help you determine how much risk – and what type of risk – is appropriate for you.

B. Investment strategies and investment risks

1. Our investment strategies and their primary risks.

You cannot completely avoid risk; you can only try to manage the types of risk to which your capital is most exposed. After analyzing your situation, we design a customized investment portfolio using some or all of the components listed in **Table 2**. Our goal is to create a portfolio that:

- allows you to meet your long-term financial goals;
- is highly tax-efficient;
- will produce acceptable returns under a broad range of economic conditions;
- makes intelligent use active management; and
- allows you to sleep soundly by limiting your risk exposures to levels you are comfortable with.

Table 2: Asset Class Components of Ballentine Partners' Investment Portfolios

Liquid Investments (all are traded in the public markets)	Illiquid Investments (none of these are traded in the public markets)
Cash	Hedge funds
Bonds	Private equity funds
Stocks	Venture capital funds
Real estate funds (public)[13]	Real estate funds (private)
Energy funds (public)	Energy funds (private)
Commodity funds	Managed futures funds[14]

[13] Real estate mutual funds and real estate investment trusts ("REITs") are traded in the public markets. We also use private real estate funds that are not traded in the public markets.

[14] A managed futures fund is a private investment fund (not traded on the public markets), but the investments made by the fund are in publicly traded options and futures contracts. So, this investment could be classified as liquid. We classify it as illiquid because the investment vehicle is a private investment.

Liquid Investments (all are traded in the public markets)	Illiquid Investments (none of these are traded in the public markets)
Options[15]	Timber funds

Some families prefer a portfolio that is composed of assets that are liquid, that is, can be quickly and easily converted back into cash, while others prefer to invest some portion of their capital in the investments that are described as "illiquid" in the chart above. "Illiquid" means that the asset cannot be quickly and easily converted into cash, and that you may lose a substantial portion of your value if you attempt to convert the investment into cash before it matures.

We do not engage in market timing.[16] "Market timing" means making sizeable short-term purchase or sale decisions of financial assets (often stocks) based on a prediction about future market price movements. However, we do make tactical purchase and sale decisions based on the relative value of one asset versus another. We make about a dozen decisions in a typical year to increase or decrease the allocation to an asset class, or to add or remove an asset class. The extent to which a particular decision is actually implemented in your accounts will depend upon a large number of factors including the size of each account, your tax situation, and which family member or entity owns a specific account. The criteria we weigh when we make tactical decisions include:

- Is any asset class significantly over or under-valued?
- What are the possible explanations for its over or under-valuation?
- Are those explanations consistent with our economic outlook?
- Is the over or under-valuation likely to persist for at least 12 months?
- Are the costs (tax costs and transaction costs) associated with making the adjustment low enough to make the adjustment worthwhile?

Table 3 describes the investment strategies we employ and their primary risks. It is not

[15] We employ option strategies on a discretionary basis for some clients primarily for hedging purposes. This may include: generating premium income by selling call options against a portfolio of highly appreciated stocks, buying put options to hedge against market declines, or selling puts to generate income and acquire equity positions (ETFs or index funds) at more attractive prices.

[16] Some of the outside managers we recommend, hedge funds for example, may engage in market timing. However, market timing is not one of our core strategies in discretionary accounts.

possible or practicable for us to list every risk that could possibly apply to each investment category. This table is intended to be a guide and may not be fully inclusive of all strategies we employ, ways we access the markets, and risks. You should study the risks associated with any securities you own by carefully reading the prospectus that is available through your custodian, or the offering memorandum that is available through sponsors of private investments. The notation “Private” in the third column of the chart means that type of investment is generally held in non-discretionary accounts. For most of our clients, private investments are purchased only by the account owner, not by Ballentine Partners.[17] Upon request, we may agree to exercise investment decision-making authority with respect to your private investments.

A glossary of investment risks can be found beginning on page 45 of this document. An asset may suddenly become illiquid due to market failure or market closure. Under some market conditions, it may be impossible to find a buyer at any price for an asset that was thought to be liquid. Private offerings, hedge funds, private equity funds, etc., are typically illiquid assets. If you have retained decision-making authority with respect to private investments, then private investments will be held in one or more of your non-discretionary accounts.

The information presented here is intended to be a guide and may not be fully inclusive of all risks. You should carefully read the prospectus provided by the custodian or fund sponsor. Different types of investments involve varying degrees of risk. You should not assume that the future performance of any specific investment or investment strategy recommended by us will be profitable.

Any of investments in Table 3 may be made with money that has been borrowed for the purpose of making the investment – e.g. a margin loan against a brokerage account, or a hedge fund using borrowed money to invest in publicly traded stocks and bonds. Derivative contracts generally involve borrowing or the use of contractual features that produce results similar to borrowing. Many investments, such as real estate, private equity, hedge funds, and energy funds involve borrowing to augment the amount of capital available for investment. In some funds, the amount borrowed may be several times the total amount of cash paid into the fund by investors.

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17 We have classified strategies based on the underlying investments rather than the type of vehicle in which the investment activity occurs. For example, a private real estate fund may be organized as a Limited Liability Company and have an incentive fee for its manager. This is commonly referred to as a hedge fund structure. However, we classify it as a real estate fund. Any reference to hedge funds in this document is based on a narrower and more useful definition of hedge funds – that is, funds that use short sales, options, derivatives, and other hedging techniques to manage risk, and that may use borrowing to boost returns.

Borrowing is often referred to as "leverage".

Table 3: Ballentine Partners' Sample Asset Class Descriptions, Strategies and Risks

Name of Asset Class	Strategies	How We Access the Market & Primary Securities Used	Primary Risks[18]
Equities	Ownership interests in U.S., foreign developed and emerging market companies across the market capitalization spectrum	Exchange Traded Funds ("ETFs") or mutual funds. Private equity funds and direct investments in private equity. We may also hold individual stock positions you transfer to us from your other managers.	Market risk, valuation risk, specific business risk, and exchange rate risk (foreign stocks), manager risk and liquidity risk
Fixed Income	Debt issued by U.S. federal and state governments, foreign governments, agencies of governments, and U.S. and foreign corporations	Separate account managers, ETFs, mutual funds, private funds and direct purchases of debt instruments	Credit risk, default risk, exchange rate risk, inflation risk, insurance failure risk, interest rate risk, liquidity risk, manager risk and market risk
Real Assets	Investments backed by tangible assets such as real estate, timber, energy deposits, pipelines, bridges, and roads	U.S. and foreign investment companies and private partnerships that own commercial, industrial and/or residential real estate, funds that invest in commodities, funds that purchase tracts of timber and conduct logging operations, funds that invest in energy investments, and funds that invest in infrastructure projects	Business risk, exchange rate risk (foreign investments), leverage, liquidity risk, valuation risk, manager risk and market risk
Alternative Investments	Hedged investments and trading strategies	Equity long-short funds, event driven funds, global macro funds, relative value funds and distressed investment funds, managed futures	Business risk, exchange rate risk (foreign investments), leverage, liquidity risk, valuation risk, manager risk and market risk
Cash	Stable values and immediate liquidity	Cash deposits, money market funds, and certificates of deposit.	Exchange rate risk, liquidity risk, valuation risk, manager risk and market risk
Equity options[19]	Put options; call options	Publicly traded, exchange-listed options managed by a specialty firm with whom we have a sub-adviser relationship.	Liquidity risk, market risk, counterparty risk, unexpected assignment of appreciated shares causing taxes to become payable; non-qualified options being classified as a constructive sale.

18 We have attempted to list the primary risks that apply to each strategy. The investment world is a very complex system with many interactions. A risk that appears to be very low today may suddenly become more prominent due to a change in some other part of the financial system.

19 We use equity options for clients holding highly appreciated securities, where the client is unwilling to sell the securities and trigger taxes on capital gains or is seeking to reduce the tax liability on the sale by generating premium income or offsetting capital losses.

2. Options.

We sometimes employ option strategies on a discretionary or non-discretionary basis primarily for hedging purposes. This may include: generating premium income by selling call options against a portfolio of highly appreciated stocks, buying put options to hedge against market declines, or selling puts to generate income and acquire equity positions (ETFs or index funds) at more attractive prices.

Option trading strategies can result in significant losses. Losses can occur even if the underlying security *increases* in value. A put option may result in a loss of 100% of the money spent on the option if the underlying security increases in value. Also, if an investor sells a covered call on a highly appreciated stock, and then the stock price rises above the call price, the investor may be forced to sell the stock to the party holding the call option. The value of the portfolio may decline due to taxes payable on the forced sale of highly appreciated shares.

3. Risks associated with portfolio construction.

The major risks associated with portfolio construction are:

a. Diversification failure. We attempt to construct broadly diversified portfolios. Under certain economic and market conditions, diversification may fail and several of the major components of your portfolio may suffer substantial losses simultaneously. In a well-constructed portfolio, this is theoretically unlikely to happen, however, it does happen. The most recent occurrence was in 2008-2009 when the mortgage crisis in the U.S. rippled through the world financial markets. With the increasing integration of the world's financial markets, events like the one in 2008-2009 may occur more frequently.

b. Estimating the future behavior of asset classes. To construct a portfolio, we must forecast the expected return and several other statistical parameters for each asset class.[20] The larger the number of asset classes under consideration, the more complex this process becomes.[21] It is impossible for anyone to develop a perfect forecast of the parameters for even a single asset class, never mind a half-dozen or more asset classes. It is inevitable

[20] For each asset class, we must forecast its expected average return, the standard deviation of returns, and the correlation of its returns with every other asset class that is proposed for inclusion in the portfolio.

[21] Portfolio construction with 5 asset classes requires forecasting 20 parameters. Portfolio construction with 7 asset classes requires forecasting 35 parameters.

that the forecast will have errors in it. Errors in the forecast mean that the portfolio we recommend for you may not perform as well as we had hoped.

c. Borrowing against investment assets. Borrowing for any type of investment increases the risk associated with that investment. The greater the borrowing, the greater the risk of loss. Borrowing also increases the price volatility of an investment. For example, an investment made with a combination of 50% cash and 50% debt will be about *twice* as volatile as a similar investment made with no debt. You should not make any investment involving leverage unless you are sure you understand the risks involved.

d. Decisions about tactical movements between asset classes. When we make a decision to reduce your exposure in one area and increase it in another, we may be wrong about the direction of the move, or the timing, or both. However, these are usually modest-sized adjustments, and we make the changes only when we are expecting a trend to persist for a year or more.

e. Timing. Losses may occur because we invest in an asset class at the wrong time. An asset class may become very over-valued or very under-valued and may remain that way for a long time. Examples of over-valuation include residential real estate in most developed countries (especially the U.S. in the decade leading up to 2008), and internet stocks from 1995-2000.

f. We may misunderstand your financial situation, including your tolerance for various types of investment risk. Or, you may misunderstand your own tolerance for losing capital. For most people, the right portfolio is one that allows you to sleep soundly, even when it is declining in value.

g. We may not be able to predict extreme events. An extreme event, such as a terrorist attack on the U.S. or some other major economy, the sudden outbreak of war, or a natural disaster may cause the values in many asset classes to decline at the same time.

h. We may fail to predict a shock to the financial markets. Shocks to the financial markets can occur due to a wide variety of factors. Shocks are very difficult to predict and can be severe. During the financial shock of 2008, entire markets ceased to function and quickly disappeared. For example, the markets for many types of commercial and municipal fixed income investments that had been thought to be very safe suddenly ceased to function. Even investors who held high quality commercial and municipal fixed income securities suffered significant losses as investors panicked and moved into U.S. Treasury notes.

i. Mistakes by active managers. Some investments, such as hedge funds and private equity funds, require active management. There is a risk that we may select a manager who substantially underperforms similar investments we could have selected. There is also a risk that the manager will under-perform relative to the results you and we expected, and that losses will exceed the amounts you and we expected.

j. Market failure. Securities purchased in the public markets depend upon the continued smooth functioning of those markets to set prices and provide investors with liquidity. Market failure can occur suddenly, and for a wide range of reasons including: extreme events, market shocks, sudden changes in investors' perceptions of risk, and natural or manmade disasters.[22] The failure may be temporary or permanent. Market failure exposes investors to the potential losses discussed in the following paragraph, "Illiquid investments."

k. Illiquid investments. Examples of illiquid investments include private funds of all types (private equity, real estate, hedge funds, etc.). Public investments that do not trade very often (which include many municipal bonds) are also illiquid. It is particularly disadvantageous if an investment you already own that was liquid suddenly becomes illiquid. If you purchase an illiquid investment (or an investment you already own suddenly becomes illiquid) you may be forced to hold that investment until it matures. Even at maturity, you may not be able to recover all of your capital, and you may incur a large opportunity cost.[23] If you attempt to sell an illiquid investment prior to maturity, a sale may only be possible at a steep discount from the investment's nominal value. During the time you hold an illiquid investment, it may be difficult or impossible for anyone to provide you with accurate information about the investment's rate of return or its market value.

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[22] For example, the U.S. stock market closed for a period following the attack on the World Trade Center in 2001. It also closed in 2012 due to a severe tropical storm.

[23] Opportunity cost refers to the amount you might have earned had you been able to make another investment rather than having your capital locked up in an investment that was not performing well.

l. Tracking error. All investments that are designed to track a broad market index have some degree of tracking error. There is a risk that we will select an index investment whose tracking error proves to be higher than we estimated it would be, and the investment therefore under-performs its benchmark by a material amount.

m. Fraud by investment manager. Our investigation of a manager may fail to detect that a manager is committing fraud. We are not able to independently audit each manager's investment results. We rely on the report of the independent auditor engaged by each manager, if such a report is available.

n. Fraud by company or government managers. The managers of a company or government entity in which you have invested may commit fraud to inflate the value of the securities issued by that organization. We are not able to independently audit each organization's financial results. If you have engaged another investment firm to select securities for your account, it is their responsibility to be alert to the risk of fraud by the organization's managers. Otherwise, we rely on the report of the independent auditor engaged by each organization, if such a report is available.

o. Regulatory violation by investment manager or company management. An organization's managers may engage in illegal behavior, such as trading on inside information, to inflate their investment results. This type of behavior is extremely difficult to detect and is unlikely to be detected by our due diligence process.

C. Frequency of trading; impact of brokerage and transaction costs

Frequent trading in any portion of your portfolio results in costs that create a drag on portfolio performance. The costs include: potential tax inefficiencies, trading costs, and potential market impact[24]. When we research an asset class and managers within an asset class and develop our recommendations, we consider all those costs. **Table 4** shows the frequency of trading for assets managed by us and our sub-advisors. Some of the strategies we use require active trading by managers we recommend, and their trading activity may exceed the levels shown in **Table 4**.

[24] "Market impact" refers to the possibility that a purchase or sale transaction in a thinly traded security may move the price of the security in a way that is disadvantageous to you.

Table 4: Investment Strategies and Frequency of Trading

Investment Strategy	Frequency of Trading
Cash	Very low
Bonds	Very Low
Mutual funds, ETFs & ETNs	Very Low
Individual Stocks (managed by Ballentine)	Very Low
Individual Stocks (managed by sub-advisors)	Moderate
Real estate funds	Very Low
Commodity funds	Moderate
Hedge funds	Moderate to high
Private equity funds	Very low
Equity options	High
Venture capital funds	Very low
Managed futures	High
Timber	Very low

The frequency of our own trading activity in your accounts is usually very low. With some investments, we may do no trading at all for many years. For example, when we purchase an index fund or an Exchange Traded Fund, we expect to hold that investment for years. However, for tax planning purposes we may, under certain market conditions, sell the entire position and replace that security with a similar one. Those trading costs are very low, and the transactions generate tax savings. We seldom change outside managers. At the portfolio level, the volume of transactions and associated trading costs is usually very low.

Item 9. Disciplinary information

There is no disciplinary information to report.

Item 10. Other financial industry activities and affiliations

A. No product sales; no broker-dealer affiliation

We have no affiliation with any broker-dealer, insurance agent, or with any other product sales organization. Although we make specific product recommendations, we are not involved with the sale of insurance or investment products. We do not accept commissions. We do not participate in fee-sharing arrangements with money managers we recommend. Our only sources of income are from fees paid to us to by our clients in a fully disclosed manner, plus book sales and speaking engagements.

B. No commodity trading affiliation

We have no affiliation with a commodity trader, commodity pool operator or any similar entity.

C. Potential conflicts of interest related to investment firms we recommend

1. <u>Conflicts due to client relationships.</u>

Some of our clients are principals, shareholders, partners, directors and/or officers in private equity firms, hedge funds, money management firms, and other firms (e.g. CPA, law or investment firms) whose products and services we may recommend to our clients. We recognize our fiduciary duty to act in the best interests of all our clients. Any recommendation regarding investment offerings, services, or charitable contribution must pass muster under our due diligence process. We do not allow the fact that one of our clients or employees may be involved to influence our due diligence process, and we discuss this issue openly with our clients.

2. <u>Some of our employees are officers or directors of charitable organizations.</u>

Some of our employees sit on the boards of charitable organizations to which some of our clients have made contributions. We have a conflict of interest whenever we introduce you to a charity in which an employee of ours is an officer or director. We encourage you to ask about our conflicts of interest.

3. <u>Some of our clients are officers or directors of companies in which other clients may hold</u>

securities.

Also, some of our clients are senior officers or directors of public companies, and the securities issued by those companies may be owned by other clients in their self-directed accounts. We may be recommending that one client sell a highly concentrated position in a security at the same time that another client is purchasing that security in a self-directed account. Due to our being in possession of material non-public information, we may be prohibited from providing information that might affect a client's decision about transactions in a self-directed account. Securities laws prohibit us from disclosing material non-public information.

4. Our relationship with Corbin Capital Partners, L.P.

We have a significant relationship with Corbin Capital Partners ("Corbin"), 590 Madison Avenue, New York, NY. Corbin manages the Core Alternative Strategies Fund (CASF"), a hedge fund of funds, exclusively for our clients. For the protection of our clients, we have negotiated certain control rights over this fund. For example, we hold the power to terminate and replace the manager, if necessary. We do not receive any compensation from Corbin, nor do we participate in the management fee charged by the fund. Our employees who invest in this fund do so on the same terms as our clients.

5. Our relationship with Aberdeen Standard Investments.

We have a significant relationship with the private equity group within Aberdeen Standard Investments, 201 Broad Street, Canterbury Green Building, 5th Floor Suite 501, Stamford, CT 06901. Aberdeen manages the Core Private Equity Fund (CPEF"), a fund of funds, exclusively for our clients. For the protection of our clients, we have negotiated certain control rights over this fund. For example, we hold the power to terminate and replace the manager, if necessary. We do not receive any compensation from Aberdeen, nor do we participate in the management fee charged by the fund. Our employees who invest in this fund do so on the same terms as our clients.

Item 11. Code of Ethics, participation or interest in client transactions, and personal trading

A. Code of Ethics

Upon request, we are happy to provide a copy of our Code of Ethics. Our Code of Ethics is based on the principle that your interests come first. We instruct our employees to avoid activities that run contrary to that principle. Our Code of Ethics includes:

- Standards of business conduct that reflect our fiduciary obligations to our clients;
- Provisions requiring our employees to comply with applicable Federal securities laws;
- Provisions that require all advisory staff to report, and us to review, their personal securities transactions and holdings periodically;
- Provisions requiring all employees to report any violations of our Code of Ethics promptly to an appropriate officer; and
- Provisions requiring us to provide each employee with a copy of our Code of Ethics and any amendments, and requiring our employees to provide us with a written acknowledgment of their receipt of the Code and any amendments.

In addition, most of our senior employees have earned professional credentials (CFA®, CFP®, CPA, etc.) whose organizations maintain very strict ethics rules to which the members must adhere. When our employees invest in securities that are also owned by our clients, they do so on the same terms as our clients.

B. We have no participation or interest in client transactions

We have no material interest or participation in our clients' securities transactions. Occasionally, we recommend investments in LLCs or limited partnerships ("limited offerings") managed by unaffiliated third parties. We do not receive any separate compensation in conjunction with making these recommendations.

C. Our employees invest on the same terms and conditions as our clients

Our employees are allowed to invest in limited offerings on the same terms we negotiate for our clients. Transactions by our employees are done on the same terms as your transactions. The securities our employees buy and sell are generally highly liquid and broadly traded. Our employees' transactions are unlikely to affect the price at which the securities trade. If our allotment of a private offering is over-subscribed by our clients, our employees are prohibited from investing.

D. Employee trading in securities we recommend to clients

We require our employees to seek permission from our compliance staff before acquiring:

- any publicly traded security in which any member of our firm may possess material inside information;
- any initial public offering; and
- any privately offered security.

Our compliance staff will grant permission only if we determine that clients will not be disadvantaged by the employee's transaction.

We do not require pre-clearance of trades for other securities because:

- the types of securities we hold in discretionary accounts are very liquid; and
- security positions in non-discretionary accounts are either (1) not under our trading authority, or (2) too small and too diversified for trading to have any material market impact.

Item 12. Brokerage practices; custodial services

A. Brokerage and custodial services

1. <u>The choice of custody agents and primary brokers is up to you.</u>

In the event you ask us to recommend a broker for execution of trades or a custodian for safekeeping of securities, we generally recommend Fidelity or Pershing. We receive no compensation from the brokers and custody agents we recommend. The choice of broker and custody agent is up to you. We currently work with over twenty brokers and custody agents. If you wish to authorize us to manage your investments, the following documentation is required: (1) an Investment Advisory Agreement with us setting forth the terms and conditions under which we will manage your accounts, (2) written Investment Instructions, and (3) a separate agreement with each broker and custody agent you wish to use. We will assist you with the entire process.

2. <u>We do not participate in "soft dollar" programs.</u>

We do not participate in "soft dollar" programs. A "soft dollar" program is an arrangement under which a broker provides an investment manager with computers, research or other compensation in exchange for the manager directing business to that broker. In our opinion, soft dollar arrangements are detrimental to your interests as an investor.

Sometimes brokers and custody agents provide us with support services for free or at a nominal cost. For example, we may receive investment-related research, pricing information, market data, software and other technology that provide access to client account data, compliance information, practice management-related publications, practice management consulting services, attendance at conferences, meetings, and other educational and/or social events, computer software, or other products used in our investment business. Our clients do not pay more for investment transactions as a result of this arrangement. None of our brokerage or custody relationships involve any commitment by us to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products.

Some brokers sponsor professional conferences to which they invite us and other firms with which they do business. There is no admission fee; we pay travel and lodging costs. We sometimes send a team member to these types of conferences if we judge the agenda to be sufficiently educational.

3. <u>We do not use brokerage business to pay for client referrals.</u>

We do not participate in any of the various "pay-to-play" client referral programs offered by securities brokers. In our opinion, soft dollar arrangements are detrimental to your interests as an investor.

4. <u>We advise against directed brokerage.</u>

We recommend that you allow us to select the broker to execute trades in your discretionary accounts, rather than directing us to use a particular broker. If you require us to direct your brokerage business to a particular broker, we will comply to the extent that it is possible for us to do so. However, we may not be able to achieve the most favorable execution of your brokerage transactions. We will not be able to aggregate your trades with those of our other clients. You are likely to pay higher brokerage commissions and/or receive less favorable pricing of trades than our other clients. It is also likely that trades in your account will be delayed until after all other accounts have been traded. This could be disadvantageous to you if the security is illiquid or market conditions are volatile. If you are the sponsor of a qualified pension or retirement plan subject to ERISA, and you direct brokerage in those accounts, that may be inconsistent with your fiduciary duty to your employees.

If your non-discretionary accounts are held by a broker other than Fidelity, Pershing, or one of the discount brokers we recommend, then you are responsible for negotiating terms and arrangements for their account with that broker-dealer. We will not be able to seek better execution services or prices from other broker-dealers, and we will not be able to include your transactions in our block trades. Consequently, you may pay higher commissions or other transaction costs, be charged greater spreads, and receive less favorable net prices than would otherwise be the case. Higher transaction costs adversely impact investment performance. Transactions for directed accounts will generally be executed later than transactions for non-directed accounts with similar holdings.

5. <u>Cash accounts at your custody agent may not produce the highest yield.</u>

Custody agents offer a variety of money market accounts and other cash management solutions. We will help you set up cash accounts with each of your custody agents. We will strive to place cash deposits you may hold for a long time in the accounts best-suited to hold your cash. The account we select may not be the highest-yielding account. Many factors enter into the decision about where to hold cash, including yield, safety, liquidity, convenience, currency risk, and regulatory issues. Cash management is a highly competitive business, but there is no assurance any particular custody agent will have the highest-yielding cash account for a specified level of risk and liquidity. If you have substantial cash deposits you intend to hold for a long time, we will glad to be assist you in finding suitable arrangements for cash.

B. Aggregation of purchase and sale orders

We aggregate purchase and sale orders for client accounts when we determine that aggregation is likely to help minimize costs and contribute to best execution of trades. We allocate trades based on the average execution price of the block of trades.

C. Trade errors

From time to time, we may experience a trade error caused by us or by an executing broker. If a trade error occurs, we will ensure that you are "made whole" by putting you in the same position with regard to gain or loss as if the error had never occurred. We will not commit future brokerage commissions to compensate a broker either directly or indirectly if a broker offers to absorb any portion of the cost of correcting an error. We attempt to minimize trade errors by promptly reconciling confirmations with order tickets and intended orders, and by reviewing past trade errors to understand the internal control breakdown that resulted in an error.

D. Trading away

Most of our equity trading is done through whatever brokerage firm that has custody of your accounts. However, sometimes we direct trades through brokers who are unaffiliated with your custody agent ('trading away"). Trading away involves some extra costs. We incur those costs on your behalf only when we believe the overall result will be better than if we had done the trades through the brokerage firm that holds your account.

It is quite common for bond trading to be done through a broker unaffiliated with the custody agent holding your account. Bond managers will "trade away" when the execution offered by an unaffiliated broker improves the price of the trade by more than enough to cover the extra costs of "trading away".

Item 13. Review of accounts

A. Periodic reviews

Your accounts are reviewed at least once a quarter and more often if necessary. The objective of each review is to determine whether or not we need to recommend a change in any of your financial strategies. Reviews are performed by the Investment Analyst or Wealth Planner assigned to you, under the supervision of the Senior Client Advisor or Senior Investment Advisor assigned to you. Our team members are instructed to consider your Investment Instructions[25], risk tolerance, income tax situation, and cash flow – among other factors. Our team members are also encouraged to consult with your other advisors (CPA, attorney, insurance

[25] The term "Investment Instructions" is explained in Item 16. .

agents, and other outside investment advisors) when necessary. It is your obligation to keep us informed about changes in your financial situation that impact our advice.

Please refer to Item 4. B.4 on page 10 for a discussion about portfolio activity.

B. Other factors triggering a review

In addition to our regular cycle of reviews, a review may be triggered by a change in market conditions, a question from you, a change in your situation, change in tax laws, new information about a particular investment, etc.

C. Our reports

Unless you instruct us otherwise, we will deliver all our reports and required notices electronically. We will adjust the frequency of reporting to fit your preferences. Investment reports show performance net of our fee, if you have authorized us to deduct our fee from your account. Otherwise, performance is reported gross of our fee but net of fees that are included in any products or managers we have recommended.

For many clients, we provide complete quarterly financial statements in addition to investment reports. The quarterly financial statements typically include balance sheets, cash flow forecasts, tax forecasts, and asset allocation charts for family members, trusts, partnerships, and other entities that play a role in wealth transfer planning. Financial statements may also provide a summary of insurance arrangements, estate plan arrangements, and a variety of other supporting financial schedules that are customized for the needs of each family. Our reporting systems are designed to accommodate complex investment structures and multiple custody platforms.

Item 14. Client referrals and other compensation

A. We receive compensation only from our clients.

Fees paid to us by our clients (plus speaking fees and book sales) are our only source of compensation. We do not allow anyone to have access to our clients, except with the client's explicit permission.

B. We do not pay for client referrals.

We do not pay other professionals for referrals. However, we do pay a subscription fee to post information about our firm on a website that helps private investors identify suitable wealth advisors. The web site does not make referrals, it simply provides information.

Item 15. Custody

A. Selection of custody agents

We work with more than a dozen custody agents. You decide which custody agent to employ. We are happy to help you decide which to use. More information about custody agents and brokers can be found in Item 12. on page 34.

B. Custodian charges; brokerage and other costs

Most custody agents have affiliates that offer brokerage services, and they charge fees for effecting securities transactions. Brokerage costs are charged directly to your account and are in addition to our fee. Each purchase or sale of security (i.e. mutual funds shares, exchange traded fund shares, and individual stocks and bonds) will incur a transaction fee of some type. In addition, brokers charge a spread on each transaction. The spread is the difference between the "bid" price and the "ask" price. The more liquid the security, the smaller the spread, and vice versa. The spreads on some securities, such as fractional municipal bonds, can be quite large. When we select brokers, our goal is to obtain a combination of service quality and low cost, including the cost of spreads. Brokers often provide custody services at no additional cost. If you engage a trust company or other specialty custodian, you will probably incur a separate custody fee.

C. Factors we consider when selecting brokers and custody agents

Factors we consider before recommending a broker or custody agent include financial strength, reputation, execution capabilities, pricing, foreign currency capabilities, research, and service. We have an obligation to seek the best execution of trades in your accounts. Best execution does not mean seeking the lowest brokerage commission cost. It means seeking the best combination of all factors influencing the outcome of a transaction, including, for example, execution capability, transaction rates, spreads, responsiveness, and taking into consideration the full range of a broker services (including the value of research provided). Transaction fees charged by brokers and custodians are separate from our investment advisory fee, and those fees will be charged by the brokers and custody agents directly to your accounts.

D. You should review the reports provided by your custody agent

At least quarterly, you should compare the report provided by your custody agent with our report to confirm that your assets are properly accounted for. Due to differences in accounting procedures, the values reported may differ slightly. The differences should only be slight. Private investments such as hedge funds, private equity funds, and real estate funds will take custody of your investment capital themselves, or through their designated custody agent. The risk of unauthorized transactions, including theft of your capital, is higher in these investments. It is particularly important that you carefully review their statements, and their auditor's report.

E. We sometimes have custody of your assets

We may sometimes have custody of your assets due to our role in facilitating transactions on your behalf, such as deposits, transfers of funds, and bill payment. Some clients granted us broad powers to initiate and execute financial transactions without involving the clients, and that causes us to be deemed to have custody of assets owned by those clients. When you give us permission to deduct our fee from an account, under SEC rules we are deemed to have custody of that account. Also, under the SEC's Custody Rule we are deemed to have custody of all of your investment accounts even though those accounts are kept by custodians who are completely independent from us. Perspecta Trust is affiliated with us and provides custodial services for some of our clients.

F. Circumstances that may cause us to take extra measures to protect your accounts

Under certain circumstances, we may ask your custody agent to prevent out-bound transfers from your accounts to protect your assets from misappropriation. This may result in inconvenience for you.

1. <u>If we suspect your email has been hacked.</u>

If we suspect your email account has been hacked and a criminal is attempting to use your account to impersonate you, we will ask your custody agent to freeze your accounts and we will promptly inform you. We have no authority to freeze your accounts on our own; only your custody agent can do that.

2. If we suspect elder abuse.

If you are age 60 or older (or under a disability), and we suspect someone is attempting to financially exploit you, we are obligated by the laws of some states to take the following actions: (1) notify you or someone you have designated as your personal representative, (2) notify your custody agent and request that out-bound transfers be prevented, and (3) notify the relevant regulatory agencies in your state of residence. You also authorize us to use our discretion to share our concerns with your key advisors and family members for the purpose of protecting your assets from loss due to exploitation or impaired decision-making. Even if you do not want us to take any action, we may be required by state law to follow through with steps (2) and (3) above. We have no authority to freeze your accounts; only your custody agent can do that.

Item 16. Investment discretion

A. Definitions of "discretionary" and "non-discretionary"

We manage assets on both a discretionary and non-discretionary basis. Most of our clients have both discretionary and non-discretionary accounts with us. "Discretionary" means that you authorize us to buy and sell securities in your accounts without seeking your prior approval for each transaction. "Non-discretionary" means that we must obtain your approval before making any changes to an investment account.

B. Management of Discretionary Accounts

For Discretionary Accounts, we exercise our discretion within the limits of your written investment instructions ("Investment Instructions"), as described in this Item 16. "Investment Instructions" means the written investment instructions we help each client prepare and which govern the way we manage your accounts. To open an account, you select a custodian and sign an Account Application. If the account is Discretionary, you also sign a Limited Power of Attorney that gives us trading authority over your account. (Many clients also sign a Limited Power of Attorney to give us trading authority over Non-Discretionary Accounts, with the understanding that we will exercise trading authority only with the client's prior consent to a proposed transaction.)

We require our portfolio managers to adhere to your Investment Instructions. Either party may request a change to the Investment Instructions at any time. Any change to your

Investment Instructions must be in writing. The party requesting the change must allow a reasonable time period for the other party to object to the change before it becomes effective.

Any material change to your Investment Instructions, or a material change in the size of an account, requires a transition period for us to make portfolio changes. Market volatility, tax considerations, lack of liquidity, and lack of marketability are examples of factors that may have to be taken into account when making significant changes to a portfolio. Some investments, such as specialized securities and private placements (for example, hedge funds, private equity, venture capital and real estate funds), may not be readily marketable. Therefore, considerable time may be required to make changes in those positions. During a transition period, it may not be possible for us to comply with the asset allocation guidelines in your Investment Instructions. In fact, our attempting to rapidly force the account into compliance with your target allocation may be inconsistent with our fiduciary duty to you. Our goal is to manage the account by *taking into account all relevant factors.*

C. Securities transferred "in kind"

It is common for clients to transfer securities "in kind" for us to manage. We may hold those securities indefinitely if we determine that doing so is in your best interest. The rate at which we liquidate those holdings depends upon a host of factors such as the client's cash flow, tax situation, liquidity considerations, charitable giving goals, and estate planning goals. Securities transferred to us in-kind may not be covered by our research. We may be unable to prevent losses from occurring in those investment holdings.

D. Margin loans

You can elect to add margin loan capability to one or more of your accounts. We generally advise against the use of margin. Use of a margin loan will amplify your gains and losses. If your account suffers a loss, you may experience a margin call. The custody agent can force you to sell securities to reduce your loan. Margin calls tend to occur during market corrections, just when selling may to be to your disadvantage.

There are two ways to set up margin: (1) placing the margin loan balance in a separate account, or (2) embedding it in one of your existing accounts. If you set up a separate account for the margin loan balance, then:

- the margin loan can be secured by assets in multiple accounts; and

- it will be much easier for us to exclude the influence of your margin loan on your investment returns.

When an account has margin loan capability, any cash withdrawal exceeding the available cash balance in that account will create a margin loan balance or increase an existing balance. When the margin loan balance is embedded in an existing account, any cash deposits into that account may or may not automatically reduce the outstanding balance, depending upon how the loan is set up. There is no automated cash transfer function between accounts. Thus, you might have cash in one account with a simultaneous margin loan balance in another account. If you opt for quarterly pay-down, we may use available cash in linked accounts to reduce the margin loan balance during a quarterly portfolio review cycle. When exercising our discretion, we consider a variety of factors such as borrowing costs, taxes, transaction costs, your cash flow, and the risks of borrowing. If, on the other hand, you opt to control pay-down, we will let cash accumulate in your linked accounts until you instruct us to use all or a portion of that cash to reduce the margin loan balance.

As we explain in Item 5. A, if your fee is based on assets under our management, we calculate our fee on the gross value of your assets. If you elect to have our fee paid by automatic withdrawal from one of your investment accounts (which is the choice most clients make), our fee will increase your margin loan balance if there is insufficient cash on hand to pay our fee.

Item 17. Voting client securities; our proxy voting policy

Generally, we do not vote proxies or respond to class action lawsuits. Our clients retain the right to vote when a shareholder vote is required, and our clients decide how to respond to class action lawsuits related to securities they own. Voting is optional; you are not required to vote. Your custody agent will provide you with proxy voting and shareholder class action documents.

Some of our sub-advisors may vote proxies and respond to class action lawsuits on behalf of clients. In that event, a sub-advisor is required by SEC rules to vote in a manner consistent with serving clients in a fiduciary capacity, and to maintain appropriate records. You have the option of retaining voting rights with respect to securities held in your account managed by a sub-advisor, if you wish to do so. Unless you retain the power to vote, we have the power to delegate our voting powers to sub-advisors.

If we agree to vote proxies and respond to class action lawsuits for you, and you have so instructed your custody agent, the custody agent will send proxy voting and class action documents to us instead of you. We will exercise our powers in your best interests. Since we have no interest in any company we invest in, it is unlikely that we will have any conflict of interest. If we do have a conflict of interest, we will disclose it to you. Upon request, we will disclose how we voted your securities. Our policy is to vote in favor of proposals supported by management, unless we determine that is not your best interests, or you specifically instruct us to vote in some other manner.

We will be glad to address any questions you may have about proxy voting procedures and responding to class action lawsuits.

Item 18. Financial information

We have no financial conditions that are likely to prevent us from meeting our contractual commitments to our clients.

Item 19. Your questions

We welcome your questions about any aspect of our practice. Please feel free to contact us with any questions you may have.

Glossary of Investment Risks

Following is a description of various types of investment risk. The risks are listed alphabetically, and we provide a brief description.

Risk	**Description**
Business risk	The risk of doing business in a particular industry or environment is called business risk. Consider the Gulf of Mexico oil spill of 2010 and its impact on the drilling industry. Companies that had nothing to do with the spill lost a considerable portion of their value.
Counter-party risk	The possibility that some or all your capital will be lost because a bank or other financial intermediary will not be able to fulfill its contractual obligations to you. Many types of investments involve counter-party risk, including, for example, Exchange Traded Notes (ETNs), derivative contracts, options, and futures.
Credit risk	The possibility that the financial condition of an organization will deteriorate after a security has been issued. Because investors perceive that the borrower is less credit-worthy than before, the prices of all securities issued by the borrower will decline in value.
Creditor failure risk	The risk that a lender upon whom your investment depends for a mortgage or other loan will experience financial pressures that cause it to demand immediate repayment of a loan, or refuse to advance funds on a line of credit that a company needs for operations. This happened during the banking crises of the late 1980s and 2008 – 2009.
Default risk	The possibility that a borrower will default on an obligation. This risk applies to bonds and other debt instruments, options, futures, and other types of derivatives. For example, a bond issuer may fail to make interest payments when due and may fail to repay your principal when the bond matures.
Exchange rate risk (currency risk)	The risk of loss due to a decline in the relative value of the currency upon which your investment depends. For example, if you purchase stocks of companies in the Euro zone, and the Euro declines in value relative to the U.S. dollar, your investment performance will reflect that loss when your performance is measured in U.S. dollars. Similarly, if you have an obligation that must be paid in another currency, and that currency appreciates relative to the U.S. dollar, then you will experience an increase in the size of the obligation, when its size is measured in U.S. dollars.

Risk	**Description**
Forced sale risk	The risk that an investment is liquidated involuntarily due to a company takeover, fund closure, or redemption by the issuer. This risk applies to bonds that have call features, hedge funds, and many other investments. This risk also applies to any investment account that has a margin loan associated with it.
Government seizure of your investment	Governments sometimes seize the capital of private investors. In 2013, private investors holding deposits in Cypriot banks were confronted with this risk. In the 1930s, the U.S. required citizens holding gold to sell their holdings to the government at an artificially low price.
Inflation risk	The chance the money you have invested will decline in real value due to inflation.
Insurance failure risk	The possibility that an insurance arrangement that is supposed to protect an investment will fail to perform as expected or will completely fail. For example, many municipal bonds are insured with respect to their interest and principal payments. Municipal bankruptcies on a large scale might stress the insurance arrangements to the point of failure. Municipal bond insurance <u>does not</u> protect your investment from loss, unless the issuer actually defaults.
Interest rate risk	Bonds and other securities that are dependent upon interest payments lose value when market interest rates increase, or when a change in the credit quality of a particular issuer causes investors to demand a higher interest rate for lending to that issuer. All debt instruments are exposed to this risk. Long-term bonds are most exposed.
Leverage (borrowing)	Many investments, such as real estate, private equity, hedge funds, and energy funds involve borrowing to augment the amount of capital available for investment. In some funds, the amount borrowed may be several times the total amount of cash paid into the fund by investors. Borrowing is often referred to as “leverage”. Borrowing for any type of investment increases the risk associated with that investment. The greater the borrowing, the greater the risk of loss. Borrowing also increases the price volatility of an investment. For example, an investment made with a combination of 50% cash and 50% debt will be about twice as volatile as a similar investment made with no debt. You should not make any investment involving leverage unless you are sure you understand the risks involved.

Risk	Description
Liquidity risk	The possibility you won't be able to sell or convert a security into cash when you need the money or simply want to remove the security from your portfolio. When liquidity risk strikes, it may not be possible to find a buyer at any price, or only at a price that is a steep discount from the value you expected to receive.
Litigation risk	Investors in private investments can be sued by their partners for undue enrichment if the investment manager fails to manage the investment in the best interests of all the investors. The classic example of this was the Madoff affair when investors who received substantial distributions from Madoff's fund were sued for recovery of those distributions. There are other recent instances when investors have been sued by other investors.
Market failure risk	The risk that a market will simply cease to function. The U.S. securities markets closed for a period following the 2001 attack on the World Trade Center. The market for many types of fixed income securities suddenly failed in 2008 with little or no warning. Money market funds are generally regarded as very safe. But, in 2008 government intervention was required to prevent money market funds from failing. When a market fails, securities that have traded in that market usually become very illiquid, and they lose a significant portion of their value. (See liquidity risk.)
Market risk	The likelihood that a broad investment market, such as the bond or stock market, will decline in value, taking the value of your investments with it.
Political risk (country risk)	Political instability or a political change that investors believe will result in damage to a region's economy can cause investments to lose value. Political risk is a factor in the U.S. federal government and in individual states within the U.S.
Principal risk	The chance that your original investment will decline in value or be lost entirely due to a problem that was specific to a security you purchased. (As opposed to a loss due to a general market decline or interest rate risk.)
Regulatory risk	The risk of a regulatory change that could adversely affect an investment. This includes a wide range of factors such as unfavorable changes in environmental laws, laws that restrict international capital movements, and new rules that restrict activity in certain industries.

Risk	**Description**
Reinvestment risk	The risk that cash distributions will not be reinvested, or cannot be reinvested at the same rate as before, so that the return you were expecting is not actually achieved. Many types of investments are exposed to this risk. Bonds, for example, are exposed to reinvestment risk.
Sovereign default risk	The possibility that a sovereign country may default on its debt. For example, in 2012 Greece defaulted on its sovereign debt. When a sovereign default occurs, the damage may result in contagion that affects financial markets and instruments far beyond the site of the default. The world financial markets are very complex, and there are many connections between the various markets. As illustrated by Greece's default in 2012, investors may be forced to accept a negotiated solution that they do not want, and that they have had no role in crafting. Also, there is no assurance that credit default agreements or other forms of insurance will perform as expected. Sovereign default risk is extremely dangerous because it can trigger many other risks, such as collapse of the value of currency, hyperinflation, bank failures, bond and equity market failures, political risk, etc. etc. It can also occur quite suddenly.
Tax risk	The possibility that tax rates will change in a manner that will cause an investment to lose value because investors perceive that its after-tax return is not as attractive as before. For example, the interest rates for municipal (i.e. tax-exempt) bonds tend to change in relation to the interest rates for taxable bonds. The relationship between the interest rates changes as the tax rate changes. But, the tax rate is just one of several factors affecting this relationship.
Timing risk	The risk of buying or selling an investment at an inappropriate time. Consider the investors who sold their stocks at the market bottom in March of 2009 because they could no longer endure the pain of losses. March 2009 turned out to be the turnaround point.
Tracking error risk	The risk that an investment designed to track a specific market index deviates from that index. Tracking error risk applies to many types of investments, including Exchange Traded Funds ("ETFs"), stock index mutual funds, bond index mutual funds, and actively managed portfolios that are intended to track an index. It also applies to many types of derivatives.

Risk	**Description**
Valuation risk	The risk that an investment is overvalued and is about to experience a sudden, sharp decline in value. Also, the risk that the estimated value of a security is subsequently found to be quite different from its actual cash value. For example, a valuation study may over- or under-estimate the true value of investment, even if the study is performed by an expert.