



**FLPutnam**  
Investment Management  
Company

Form ADV, Part 2A  
Firm Brochure



CONTACT ▶

DATE OF BROCHURE

**OCTOBER 25, 2024**

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This brochure provides information about the qualifications and business practices of F.L.Putnam Investment Management Company. If you have questions about the contents of this brochure, please contact us at (800) 356-1781 and/or [fputnam@fputnam.com](mailto:fputnam@fputnam.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 F.L.Putnam Investment Management Company also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Material Changes

Since the filing of our last annual updating amendment, dated March 30, 2024, we have the following material changes to report:

- On September 30, 2024, FLP acquired Darwin Trust Company of New Hampshire, LLC (“Darwin Trust”). Darwin is a New Hampshire non-depository trust company. They are a separate wholly-owned subsidiary of FLP. Due to this acquisition we made changes to Item 10, Description of Relationship or Arrangement Material to Advisory Business or Clients with Certain Related Persons in order to further explain this acquisition.
- Revised Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading to better describe our code of ethics.
- Revised Item 17. Voting of Client Securities to reflect changes to our proxy voting policy.

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## Item 4 Advisory Business

### A. Description of Advisory Firm

F.L.Putnam Investment Management Company (FLP) provides discretionary and non-discretionary investment management, investment advisory, investment consulting, and financial planning services. We have a diverse clientele that includes individuals and their families as well as foundations, endowments, secondary schools, educational institutions, religious organizations, corporations, and other investment advisers. Many of our client relationships span decades and generations.

We were founded in 1983 and have been registered as an investment adviser with the Securities and Exchange Commission since 1984. Registration as an investment adviser does not imply a certain level of skill or training.

FLP is majority-owned by F.L. Putnam Securities Company, Inc., a domestic corporation incorporated under the laws of the Commonwealth of Massachusetts. Certain key employees of FLP are also shareholders. FLP has established stock ownership plans in order to distribute ownership to employees of FLP. FLP's wholly owned subsidiary, Darwin Trust Company of New Hampshire, LLC ("Darwin Trust"), provides non-depository trust services.

Our offices are located in Lynnfield, Needham, and Boston, Massachusetts; Portland, Maine; Wolfeboro, New Hampshire; Providence, Rhode Island; and Amherst, and New York, New York.

FLP acknowledges that it is a "fiduciary", with respect to its clients, within the meaning of that term under ERISA.

### B. Types of Advisory Services

Our primary business activity is to provide investment advisory and investment management services to individual and institutional clients on a discretionary basis and financial planning services to individuals and their families. We provide investment management services to some clients on a non-discretionary basis. Additionally, we assist clients with a wide range of investment consulting services. The services which we provide are specifically tailored to each client's needs and more fully described in their individual contract. We do not sell financial products such as mutual funds, annuities, or insurance. We do not provide brokerage services.

### C. Tailored Investment Management and Advisory Services

#### ➤ *Investment Management and Advisory Services*

Each institutional client is assigned a team consisting of a primary portfolio manager, a supporting investment advisor, and an account administrator. Each individual or family client is assigned a team consisting of a client advisor and/or an investment advisor, and an account administrator.

Each client portfolio is tailored to meet the requirements of each client based on information that a client has provided to us. Our first step in working with our clients is to gather information that will help clients define realistic investment goals, determine income needs, and provide an understanding about the level of investment risk and loss a client is willing and/or able to assume. We then develop a written investment policy statement that is reviewed with each client. The written investment policy statement serves as a guide for the management of a client's account by the assigned investment advisor(s). Clients may impose investment restrictions on investing in certain securities or types of securities or may direct FLP to hold certain securities.

FLP incorporates environmental, social, and governance (ESG) into its investment and research process. ESG serves as a risk mitigation tool that accompanies our analysis of public company financial statements. We use ESG analysis to discern where other risks stemming from

environmental policies, social behaviors, and internal governance may exist and factor these findings into our investment selection process. Clients may impose their own ESG investment restrictions.

FLP has a long-standing practice in socially responsible investing. Many clients are concerned with the religious, ethical, social justice, environmental, and other non-financial aspects of their investments. These concerns differ from client to client. Clients can exclude (or include) particular activities from their investment portfolios. Within portfolios applying a socially responsible investing approach, we select investments that we believe will provide the potential for a favorable return but are also consistent with those beliefs and ethical preferences that clients have made known to us. FLP provides clients with periodic reports describing the applicable non-financial aspects of each company in their portfolios. Clients must opt into these services.

We continuously communicate with our clients, but clients must notify us about any changes in their financial circumstances and needs so that we can take these changes into consideration when managing their portfolio(s).

### Schwab Institutional Intelligent Portfolios

In addition to our standard investment approaches, our firm also provides portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the “Program” and “SWIA,” respectively). Through the Program, we offer clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. The client’s portfolio is held in a brokerage account opened by the client at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). FLP is independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, “Schwab”). The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the “Program Disclosure Brochure”), which is delivered to clients by SWIA during the online enrollment process.

FLP, and not Schwab, is the client’s investment advisor and primary point of contact with respect to the Program. Our firm is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. SWIA’s role is limited to delivering the Program Disclosure Brochure to clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

FLP has contracted with SWIA to provide it with the technology platform and related trading and account management services for the Program. This platform enables us to make the Program available to clients online and includes a system that automates certain key parts of the FLP investment process (the “System”). The System includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that FLP will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but our firm then makes the final decision and selects a portfolio based on all the information FLP has about the client. The System also includes an automated investment engine through which our firm manages the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). FLP does not receive a portion of a wrap fee for our services to clients through the Program. Clients do not pay fees to SWIA in connection with the Program, but FLP does charge clients a fee for its services as described below under [Item 5 Fees and Compensation](#). Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. FLP does not pay SWIA fees for its services in the Program so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. If FLP does not meet this condition, then we must pay SWIA an annual fee of 0.10% (10 basis points) on the value of FLP clients’ assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with Schwab.

The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses

market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

➤ *Financial Planning*

FLP offers financial planning services to our individual and family clients, which may cover investment analysis, income tax planning, insurance analysis, retirement planning, education funding, estate planning, cash flow analysis, assistance with budgeting, and preparation of personal balance sheets as well as numerous other items related to a client's financial profile. Financial planning services can be provided in conjunction with our investment management and advisory services or can be provided on a standalone basis. Based upon a review of information and data provided by the client, a written plan or another agreed-upon deliverable will be prepared that includes our analysis of each client's current financial conditions, proposed changes, or recommendations. We recommend that clients review their financial plan at least annually or following any significant change to their personal or financial circumstances. We do not provide any accounting, tax, or legal advice and we do not prepare any financial statements, tax returns, or legal documents in connection with the implementation of any financial plan.

Standalone financial planning services are rendered only after a written agreement has been executed. The written agreement specifies the parties to the agreement, the date of the agreement, its duration, how and on what terms the agreement may be terminated, and the scope of the services to be provided. After delivery of a written plan or other financial planning product each standalone financial planning client is responsible for the implementation, acceptance, or rejection of the recommendations included in the written plan or other financial planning product. Clients are encouraged to carefully review the financial planning agreement and a copy of this Form ADV Part 2A and to ask any questions they may have, prior to signing the financial planning agreement. FLP does not have a duty to update the financial planning services, plans, or recommendations, unless such duty is specifically addressed in our client agreements. If there are any material changes in the client's financial circumstances and needs during the course of a project, clients must update FLP so that we can take these changes into consideration prior to providing the financial planning services.

➤ *Separately Managed Accounts*

FLP provides separately managed account ("SMA") services on a fully discretionary basis. Clients using its SMA services do not receive additional investment advisory services. After gaining an understanding of a client's particular investment objectives, assets are invested in accordance with one of FLP's SMA strategies.

Each client portfolio can be tailored to meet the requirements of each client based on information that a client has provided to us. We work with clients to develop a written set of investment objectives that are reviewed with each client. The objectives serve as a guide for the management of a client's account. Clients may impose investment restrictions on investing in certain securities or types of securities or may direct FLP to hold certain securities.

FLP incorporates environmental, social, and governance (ESG) into its investment and research process. ESG serves as a risk mitigation tool that accompanies our analysis of public company financial statements. We conduct primary and secondary ESG analysis on companies to discern where other risks stemming from environmental policies, social behaviors, and internal governance may exist and factor these findings into our investment selection process. Clients may impose their own ESG investment restrictions.

➤ *Investment Consulting*

FLP provides various financial consulting services including, but not limited to, third-party manager due diligence, evaluation, selection and monitoring, advisor oversight, asset allocation advice, client reporting, investment policy design, and portfolio review services.

➤ *Atrato Consulting Solution*

Via its Atrato Consulting Solution, FLP offers customized services to clients, including investment advisory, due diligence, portfolio construction, risk analysis, and monitoring of new or existing portfolios.

FLP assists its clients in identifying and investing in various private investment funds by performing manager due diligence and by constructing and monitoring customized portfolio solutions. In addition, FLP works with independent wealth managers and advisors to augment their

capabilities in providing alternative investment advisory solutions to their underlying clients. After consultation with FLP, the client, when investing in any fund, will invest directly in such fund and will enter into a direct contractual relationship with such fund or its general partner.

➤ *Retirement Participant Account Management*

FLP uses a third-party platform to facilitate discretionary management of assets held in client accounts that are part of defined contribution plans (including, for example, 401k and HSA participant accounts) (“Held Away Accounts”). FLP is not considered to have custody of these assets. Through the third-party platform, FLP does not have direct access to any client log-in credentials to affect trades. FLP is not affiliated with the platform and receives no compensation from the platform. FLP does pay a fee to the platform provider. For clients that hire FLP to manage their defined contribution plans, a link is provided to the client that allows them to connect their account(s) to the platform. Once a client account(s) is connected to the platform, FLP will have access to review the current account allocations and investment options, and to rebalance or reallocate the account based upon the client’s investment goals and risk tolerance. FLP will review the account on an ongoing basis and will make any changes to the account to meet the requirements of each client based on information that the client has provided to us.

#### **D. Participation in Wrap Fee Programs**

We do not participate in any wrap fee programs.

#### **E. Amount of Client Assets Managed on a Discretionary Basis**

The amount of assets under our discretionary management as of December 31, 2023: \$6,118,000,000

The amount of assets under our non-discretionary management as of December 31, 2023: \$50,200,000

The amount of assets under our advisement as of December 31, 2023: \$2,137,000,000

## **Item 5 Fees and Compensation**

#### **A. Compensation for Advisory Services**

Clients will be billed quarterly in advance based upon the value (market value or fair market value in the absence of market value), of the client’s account at the end of the previous quarter. Advisory Fees are negotiable under certain circumstances. We also may combine two or more portfolios with similar objectives for a single client for the purpose of computing fees. We use the following fee schedules in most cases:

➤ *Fee Schedule*

Annually (fees paid quarterly in advance):

- 1.100% of the first \$2,000,000 of market value, plus
- 0.925% of the next \$3,000,000 of market value, plus
- 0.800% of the next \$5,000,000 of market value, plus
- 0.600% of the balance

At FLP’s sole discretion, non-profit organization clients may be eligible to receive a 20% fee discount.

FLP manages the asset and fund allocations in certain annuities. Management of these strategies is done at a flat rate of 1.000% of the assets contained within the annuity. Advisory fees for the management of these strategies are negotiable under certain circumstances. These assets are not included in determining the total value of assets managed by FLP in relation to the fee breakpoints noted above.

#### Schwab Institutional Intelligent Portfolios

Our annual fee for these portfolios will be charged at a flat 0.60% of assets under management. Currently, neither clients nor the firm pay SWIA any additional fees for participation in the Program. However, SWIA may receive remuneration from some or all ETFs eligible for participation in the Program. Clients invested in these portfolios will be billed quarterly in advance based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. SWIA requires a minimum investment of \$5,000 to open a Schwab Institutional Intelligent Portfolio and makes these portfolios available only to select account types.

#### SMA Equity Fee Schedule

Annually, (fees paid quarterly in advance):

0.65% flat fee on the market value of the Account

#### SMA Fixed Income Fee Schedule

Annually, (fees paid quarterly in advance):

0.50% flat fee on the market value of the Account

#### SMA Short Duration Fixed Income Fee Schedule

Annually, (fees paid quarterly in advance):

0.25% flat fee on the market value of the Account

#### Institutional Advisory Fee Schedule

0.60% on the first \$10,000,000 of market value, plus

0.50% on the next \$15,000,000 of market value, plus

0.40% of the balance

#### DPL Financial Partners, LLC ("DPL")

DPL is a third-party provider of a platform of insurance consultancy services to its clients with a current or future need for insurance products. DPL offers FLP membership to its platform for a fixed annual fee and, through DPL's licensed insurance agents who are also registered representatives of The Leaders Group, Inc. ("The Leaders Group"), an unaffiliated SEC-registered broker-dealer and FINRA member, offer



FLP a variety of services relating to fee-based insurance products. These services include, among others, providing FLP with applications to assist in evaluating insurance needs, educating and acting as a resource to members regarding insurance products generally and specific insurance products owned by their clients or that their clients are considering purchasing, and providing members access to and product marketing support regarding fee-based products that insurers have agreed to offer through DPL's platform. For providing platform services to FLP, DPL receives service fees from the insurers that offer their fee-based products through the platform and a fee from FLP for being a member of the platform. These service fees are based on the insurance premiums received by the insurers.

DPL is licensed as an insurance producer in Kentucky and other jurisdictions where required to perform the platform services. Its representatives are also licensed as insurance producers, appointed as insurance agents of the insurers offering their products through the platform, and registered representatives of The Leaders Group. Since FLP can earn fees for the investment management of a portfolio within the insurance product a client selects, to the extent FLP believes the client will hire FLP to manage the investment options contained within an insurance product, FLP has a conflict of interest in recommending such insurance product.

### Financial Planning Fees

There are no additional financial planning service fees for clients meeting a specific assets-under-management threshold (currently \$500,000). FLP retains the right to waive or reduce the qualifying threshold.

Stand-alone financial planning services are provided based upon hourly fees (currently range from \$300- \$500/hour), or a fixed fee typically ranging from \$1,500 to \$15,000 depending on size of household, complexity, net worth, coaching needs, and income as set forth in the financial planning agreement. Financial planning services are provided on a project basis. Time expended, including the collection and analysis of data, the development of a financial plan and recommendations, and the presentation of potential outcomes, are billed at the end of each month. If the parties have agreed to a fixed fee, one-half of the fixed fee is billed in advance and one-half after the completion and delivery of the financial plan. FLP will not charge any client more than \$1,200 in advance for work that cannot be delivered in six months or less.

For stand-alone financial planning services, after completion and delivery of a client's financial plan, any subsequent financial planning sessions requested by a client (and agreed to by FLP in writing), including financial plan updates, revisions, and modifications will be billed at an hourly or fixed fee set forth in a separate document outlining the next project.

### Investment Consulting Fees

Investment consulting fees are charged as fixed fees, negotiated annual fees, or are based on the value of assets under advisement. These fees are generally payable quarterly in advance.

### Atrato Consulting Solution Fees

Atrato Consulting solution fees are generally assessed as an annual fee based on a fixed retainer along with certain specific due diligence engagements that are billed on a project-by-project basis. The fixed retainer is typically negotiated based on the size and complexity of the mandate, although they tend to fall between 20-75 basis points of assets under advisement or management. Fees are typically invoiced and paid quarterly in advance.

## **B. Deduction of Advisory Fees from Client Accounts**

Client portfolio assets are held by an independent bank or broker custodian. In the majority of client accounts, advisory fees are deducted quarterly in advance by the custodian and paid to FLP. Clients may arrange to pay management fees from another source, in which case FLP would bill the client directly in advance on a quarterly basis. Unless agreed otherwise, any and all assets held within a client's portfolio, including cash positions, are included in the firm's advisory fee calculation. At certain times our advisory fee may exceed the money market yield for cash assets.

## **C. Other Types of Fees or Expenses**

FLP purchases no-load mutual funds and exchange traded funds for certain clients' accounts in order to provide exposure to different market segments. In certain circumstances, clients may hold load funds (i.e. funds that charge a sales fee or commission fee) based upon legacy positions established prior to becoming an FLP client. Clients holding no-load or load mutual funds will incur fees associated with the mutual funds and exchange traded funds which are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. These fees and expenses are separate from, and in addition to, FLP's investment management fees.

Clients generally will incur additional fees and expenses for custody and brokerage costs. For more information on our brokerage practices, please see [Item 12](#).

Clients can be subject to additional fees and expenses charged by each private fund in which they invest. Managers of private funds often charge higher fees than public mutual funds. The fees and expenses paid by each private fund are disclosed in each fund's offering documents. Clients should thoroughly review the offering documents of each private fund before investing to understand all risks that apply to an investment in each private fund.

Unless agreed otherwise, any client portfolios that utilize margin are billed on the higher-margin value. This presents a potential conflict because we earn a higher fee and have a disincentive to advise clients to reduce or eliminate their margin balance.

## **D. Pre-Payment of Fees & Refund**

Typically, clients pay fees quarterly in advance. Stand-alone financial planning fees are billed in accordance with each respective financial planning agreement, which typically requires a portion of the overall fee to be paid in advance. If a client contract is terminated before the end of a billing period, any collected but unearned fees will be refunded and any earned but unpaid fees will be due. FLP will determine the amount of the refund by determining a daily fee rate (fee for the quarter divided by the number of calendar days in the quarter) and multiplying that by the number of days in the quarter FLP managed the clients assets.

## **E. Compensation for Sale of Securities**

Neither FLP nor any of its supervised persons receives compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Not applicable. We do not charge performance-based fees or engage in side-by-side management.

## Item 7 Types of Clients

FLP provides discretionary and non-discretionary investment management, investment advisory, and investment consulting services to a diverse clientele that includes individuals and their families as well as foundations, endowments, secondary schools, educational institutions, religious organizations, corporations, family offices, trusts and other investment advisers. We provide financial planning services to individuals and their families, including professionals, business owners, and other persons seeking financial planning assistance.

Our minimum account size for platform discretionary investment advisory accounts is \$250,000. Our minimum relationship size for non-platform discretionary investment advisory accounts combined with financial planning services is \$500,000. Our minimum relationship size for Institutional Advisory Services is \$10,000,000.

Our minimum account size for Equity SMA strategies is \$250,000.

Our minimum account size for taxable Fixed Income SMA strategies is \$300,000 and \$500,000 for tax-exempt Fixed Income SMA strategies. There is also a \$1,000,000 minimum account size for the Short Duration Fixed Income SMA strategy.

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

### A. Methods of Analysis, Investment Strategies and Risk of Loss

#### ➤ *Investment Management and Advisory Services*

We obtain information on securities, including ESG and SRI scoring, as well as economic and market trends, from a variety of sources. These sources include independent research firms, reports from securities firms, trade journals, annual and interim reports from corporations, rating services, electronic news and quotation services, and financial newspapers and magazines.

#### ➤ *Investment Philosophy*

We believe the key to a successful long-term investment strategy is a combination of broad macro-economic research and detailed security specific research coupled with a broad understanding of global economic, financial, and market trends.

#### ➤ *Asset Allocation*

Our strategic asset allocation framework is diversified across global equity, fixed income, and alternative investment asset classes. The strategic weights provide a disciplined and long-term approach to portfolio construction over a market cycle of 3-5 years, while the tactical adjustments allow flexibility to reflect our assessment of investment opportunities in global financial markets over the next 12-18 months.

Each client's allocation to equities, fixed income, cash, and alternative investments is based upon their individual goals and objectives, taking into consideration their investment time horizon, risk tolerance, return requirements, income and liquidity needs, as well as other considerations that are unique to that client. The result of this process is a portfolio that is constructed around each client's goals with the flexibility to address shorter term risks and opportunities as they emerge.

Our clients have access to a broad investment platform. We leverage internally managed and third-party investment strategies to create customized portfolios to meet each client's unique needs. These options span equity, fixed income, and alternative investment asset classes, delivered through individual securities, exchange traded funds, third-party managers, and externally managed mutual funds. The risks associated with the asset allocation framework structured for each client include market and economic risk, and risks relating to individual asset classes represented within the asset allocation framework as noted below.

➤ *Financial Planning*

The financial planning process will focus on the identification and assessment of goals as they relate to a client's assets and liabilities. A variety of illustrations will be made using average return and Monte Carlo simulations to determine the feasibility of certain goals and outcomes. A holistic analysis can also take place, focusing on risk tolerance, insurance needs, investment sentiment, estate planning, and prioritization of goals, and after discussion with the client, incorporated into the financial plan.

➤ *Equities*

We look to purchase securities of high-quality issuers when they are trading at attractive prices, with the expectation that they will be long-term investments. We offer multiple approaches to meet the unique needs of our clients.

When selecting equity securities in our Core strategies we seek to identify companies that:

- Have growth prospects that exceed industry and/or market averages, or the historical growth profile of the company
- Appear to be undervalued relative to their growth prospects, the overall market, and/or their respective industries
- Demonstrate financial strength based on numerous financial ratios

When selecting equity securities in our Sustainable Investment strategies we seek to identify companies that:

- Demonstrate high-quality, based on financial strength and Environment, Social, and Governance (ESG) metrics as determined by internal analysis and third-party resources
- Have growth prospects that exceed industry and/or market averages, or the historical growth profile of the company
- Appear to be undervalued relative to their growth prospects, the overall market and/or their respective industries
- Comply with strategy or client-specific exclusionary or inclusionary screens

When selecting equity securities in our Equity Income strategies we seek to identify companies that:

- Have a dividend rate that exceeds industry and/or market averages, or the historical growth profile of the company
- Appear to be undervalued relative to their growth prospects, the overall market, and/or their respective industries
- Demonstrate financial strength based on numerous financial ratios

Through careful research we evaluate a company's financial strength, growth potential, and "value" characteristics. We think of "value" as the relative value of a company's stock when compared to 1) the historical valuation of the company; 2) the historical and/or current valuation of a peer group of companies; or 3) common stocks in general.

We are a global all-cap/core equity manager. This means that our clients' equity portfolios will tend to contain large-cap, mid-cap, and small-cap stocks using a mix of individual securities and externally managed investment vehicles. "Large-cap" or "large market capitalization" is used to refer to companies with a market capitalization value of more than \$10 billion; "mid-cap" or "middle market capitalization" is used to refer

to companies with a market capitalization between \$2 billion and \$10 billion; and “small-cap” or “small market capitalization” is used to refer to companies with a market capitalization of between \$200 million and \$2 billion. In addition, a typical equity portfolio will contain both domestic and international stocks.

Our clients’ equity portfolios tend to be diversified amongst securities and industries. Sector exposure is generally limited to within 5 percentage points (+/-) of the benchmark weight and exposure to any single corporate issuer is limited to 5 percent (or the benchmark weight) of a client’s stock portfolio.

### ➤ *Fixed Income (Bonds)*

When selecting individual bonds for client portfolios we factor in specific qualities such as credit rating, yield, relative value, liquidity, issuer fundamentals, ESG profile, and effective maturity date. An analysis of the business cycle and the macroeconomic environment is also considered and may affect overall sector and subsector weightings. Each of the following attributes addresses how we would approach management and security selection broadly. Each portfolio is tailored to individual client needs and restrictions. These can create deviations from our standard approach, including, but not limited to, longer or shorter maturities, longer or shorter duration at either the security or strategy level, and allocations to high yield bonds.

**Rating:** We concentrate on issuers whose obligations are rated “investment grade” (AAA, AA, A or BBB) by one of the three major Nationally Recognized Statistical Rating Organizations (NRSRO), namely S&P, Moody’s, and Fitch. The trajectory of an issuer’s rating is also considered. We emphasize issuers whose credit ratings we expect to remain stable or improve over time.

**Yield:** We consider whether the yield on a specific bond will help achieve the strategy objectives and if it sufficiently compensates the client for the associated risks, which can be issuer-specific or macro-economic.

**Relative Value:** We analyze a security’s credit spread to determine its relative value. A bond’s credit spread is compared to its own historical values, as well as to its peers and industry sector.

**Liquidity:** We select bonds with above-average liquidity, which allows us to buy and sell different sizes in varying market conditions. We examine a bond’s relative liquidity versus its sector universe and industry sector. We emphasize bonds with deal sizes greater than \$500 Million.

**Fundamentals:** Credit fundamentals are an important part of fixed income security analysis. We analyze balance sheet strength, cash flow durability, and a company’s competitive position. Financial leverage, cash flow coverage, and the ability to repay debt obligations are key factors.

**ESG profile:** For corporate issuers, we review ESG data from internal sources and external providers. We do this for risk management purposes, with the intent of identifying material Environmental, Social, and Governance risks.

**Maturity:** In our taxable and tax-exempt strategies we select debt maturities with final maturities (or call dates) that are no longer than fifteen years from the date of purchase. In our cash management strategies, we select individual bonds that are no longer than three years in maturity. Selected ETFs and mutual funds may have securities with maturities longer than the stated guidelines above, but the overall effective duration of these vehicles should be less than ten years. In the absence of specific client guidance, we construct intermediate duration portfolios (those with an average duration of 3-6 years). Overall, we have found that these portfolios have shown an optimal combination of modest risk and reasonable return in recent decades.

➤ *Fixed Income Investment Strategies*

Each of the following strategies includes how we would approach management and security selection broadly. Each strategy is tailored to individual client needs and restrictions. These can create deviations from our standard approach, including, but not limited to, longer or shorter maturities, longer or shorter duration at either the security or strategy level, and allocations to high yield bonds.

- Taxable Fixed Income
  - An intermediate-duration strategy of taxable bonds. Individual securities are rated investment-grade. Funds and ETFs in other asset classes are used to supplement as needed. Macro-economic conditions and credit analysis drive the security selection and sector allocation. A review of issuer-specific ESG characteristics is used to identify material risks.
- Strategic Municipal Income
  - An intermediate-duration strategy comprised mostly of tax-exempt municipal bonds. Individual securities are rated investment-grade. Funds and ETFs in other asset classes are used to supplement the strategy as needed. Investments in taxable securities are utilized when appropriate if the tax-equivalent yields are beneficial to the intended strategy outcomes. Municipal bonds are purchased based on yield, client state of residence, yield curve positioning, and the financial stability of the underlying issuer or revenue stream.
- Short Duration Fixed Income – Individual Bonds
  - A short-term portfolio of investment-grade rated individual bonds with final maturities less than three years from the date of purchase. The strategy seeks to earn an incremental yield over U.S. Treasury Bills, money-market funds, and bank deposit rates.
- Short Duration Fixed Income – Optimized ETFs and Funds
  - A short duration portfolio of ETFs and mutual funds that are optimized to achieve risk and return characteristics. Typical constraints include limiting effective duration, expected volatility, and maximum drawdown. The strategy seeks to earn an attractive yield compared to U.S. Treasury Bills, money-market funds, and bank deposit rates, but with a more liquid, flexible approach. The average quality of the strategy is investment grade.

➤ *Mutual Funds and ETFs*

FLP will recommend mutual funds and ETFs for certain clients as part of our portfolio construction, based upon individual portfolio needs, including asset allocation and liquidity. In certain cases, mutual funds and ETFs will be utilized to supplement broader investment theses and in others, they will be the sole means to gain exposure to certain market segments or indices. Each of these will be more fully described in the individual client's investment policy statement and / or the mutual fund's or ETF's prospectus. Certain mutual funds, including Interval Funds, can have different liquidity profiles which allow for limited purchase and sale periods. FLP will recommend mutual funds and ETFs only after performing qualitative and quantitative research on those vehicles with a view to ensuring that they are appropriate for the client's needs. Each of the funds will be subject to ongoing due diligence by the investment team.

➤ *Alternative Investment Funds*

FLP will recommend alternative investment funds for certain clients based upon individual portfolio needs, including asset allocation and liquidity. FLP will recommend alternative funds only after performing qualitative and quantitative research on those vehicles with a view to ensuring that they are appropriate for the client's needs. These funds will be subject to ongoing due diligence.

➤ *Optimized Indexing*

FLP uses models and software applications to implement the Optimized Indexing strategies on behalf of certain clients. The goal of the Optimized Indexing strategy is to provide returns that are consistent with a specific index, despite ongoing tax loss harvesting and/or restricting a portion of the index's typical constituents. In these strategies, clients may decide on a set of SRI restrictions which will be applied to a specific benchmark. Client portfolios are constructed using optimization methodologies and techniques and will hold fewer stocks than the given benchmark. For taxable clients, portfolios are rebalanced using a tax-efficient approach that seeks to minimize capital gains by maximizing loss harvesting. FLP's methodology in delivering the Optimized Indexing incorporates various factors including but not limited to liquidity, capitalization, risk, transactions costs, quantitative factors like quality, value, momentum, volatility, and taxes when making investment decisions. Clients work with FLP to determine the appropriate customized screen based on their needs.

## **B. Material Risks of Investment Strategy or Method of Analysis**

Our investment strategy is based on a combination of individual security research and the evaluation of global financial and economic conditions as well as other trends. We believe our research process helps us to identify and evaluate individual security risks. We make every attempt to identify and manage risk through careful research, group discussion, and appropriate diversification.

➤ *Risk of Loss*

While we rely on methods of analysis and investment strategies that are based on research and a team approach to continually improve our views of the market and client holdings, all investing involves the risk of loss of a client's principal investment which each client should be willing to bear.

➤ *Active Management Risk*

FLP's investment strategy relies upon our ability to correctly assess macro-economic, financial, and market trends. If FLP fails to correctly make those assessments, a client's portfolio can under or outperform relative to its targets.

➤ *Investment Strategy Risk*

Each client is invested in a specific strategy or strategies, depending upon the factors described herein. Each of these strategies will perform differently depending upon the market conditions present during the period that the client is invested in the strategy. Certain strategies will outperform, and others will underperform during different market periods.

➤ *Financial Planning Risk*

Any investment recommendations should be considered carefully by the client as we do not warrant or guarantee any financial plan, or the performance or results of any investment as may be recommended in the financial plan and the risk of loss is solely the risk of the client. Any and all recommendations are made based on representations of each client's financial circumstances, objectives, needs, and goals as of the date

of their engagement with FLP and are based on key assumptions regarding current federal and state laws (including tax and estate tax laws), interest rates, and the overall economic outlook of the financial markets (the “Key Factors”). Any changes to the Key Factors or to the representations made by a client relative to their financial circumstances, objectives, needs and goals, can impact the effectiveness of our recommendations, plan, or services and, in some circumstances, can render the plan ineffective. Clients should not rely on the plans provided if there are material changes to the Key Factors.

➤ *Interest Rate Risk*

A fixed income security’s price is inversely impacted by interest rates. As rates increase, the value of the securities will likely decline. Conversely, as interest rates decrease, the value of the securities will likely increase. Securities that are longer dated have a greater sensitivity to changes in interest rates.

➤ *Dividend Payment Risk*

Companies selected based upon their history of dividend payments may discontinue or reduce future dividend payments. This can result in a decreased total return as it relates to these investments.

➤ *Foreign Issuer Securities Risk*

In general, investment in foreign issuer securities entails additional risks such as: limited transparency and accounting oversight; varying frequency; availability and quality of financial information; limited enforcement opportunities by US regulators; currency; political and economic risks; and limited shareholder rights and/or remedies.

➤ *Sale of Securities Risk*

We purchase securities with the expectation that they will be long-term investments but will sell any security when such a sale appears appropriate. Factors that may prompt us to sell a security include:

- Achievement of a price objective
- Deterioration in the trend of earnings estimates
- Deteriorating company or industry fundamentals
- Identification of a substitute investment likely to improve risk or return profile of the portfolio
- Negative “surprises”
- Dividend cut
- Violation of a 200-day moving average or other technical measures
- Deteriorating ESG metrics
- Strategy or client-specific exclusionary criteria

We rarely engage in short-term trading, short sales, margin transactions, or the purchase or sale of derivatives (with the exception of covered call options) but may do so in response to the request of a client. Any time that we sell a security, there is a risk that an equally or more attractive security, in our estimation, will not be available. If we are directed by a client to sell securities, depending upon the liquidity needed, we may be forced to sell securities that we believe have a greater intrinsic value than reflected by their current market price.

➤ *Socially Responsible Investment Risk*



Socially Responsible Investing involves the exclusion of certain securities based upon ethical criteria mandated by clients. There are potential limitations associated with allocating a portion of an investment portfolio based upon these exclusions (e.g., clients that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. The securities that do not trigger these limitations could underperform broad market indices. Investors must accept these limitations, including the potential for underperformance. Correspondingly, the number of mutual funds and “ETFs” applying the same or similar restrictions as a client may want to incorporate into their investment mandates are fewer when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by FLP), there can be no assurance that investment in securities or funds based upon these exclusions will be profitable, or prove successful.

➤ *ESG Investment Risk*

FLP integrates Environmental, Social and Governance (“ESG”) considerations into our investment research process. There are potential limitations associated with this process. The securities achieving scores in excess of our ESG rating tolerances are limited when compared to a broader index. These securities could underperform broad market indices. Investors must accept these limitations, including the potential for underperformance. Correspondingly, the number of mutual funds and “ETFs” integrating ESG analysis are fewer when compared to those that do not integrate such analysis. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by FLP), there can be no assurance that investment in securities or funds integrating ESG analysis will be profitable, or prove successful.

➤ *Automated Investment Program Risk*

An investment adviser that uses algorithmic and other technology-based programs to provide clients with discretionary asset management services is typically offering an investment program with limited human interaction through an online, electronic-based delivery model. In contrast to traditional advisory relationships where investment adviser personnel typically interact with clients to form a basis for the investment advice given, automated investment programs and platforms rely on other techniques such as online questionnaires to gather client information in order to make suitability determinations for their clients. Limited human interaction between investment advisory personnel and clients presents unique challenges and risks. If there is limited human interaction involved in an automated investment program, there is less opportunity to explain the context for the questions asked, to ask follow-up questions about a client’s responses, to provide assistance to clients completing the questionnaire or to address inconsistencies in client responses. Consequently, automated investment programs should only be used by individuals not requiring sophisticated modeling or frequent personal interactions with advisory personnel and those comfortable with the technological aspects of a particular investment platform.

➤ *Third-Party Manager and Private Fund Risk*

FLP performs due diligence on managers of private investment funds. In addition to publicly available information such as filings with the Securities and Exchange Commission and articles in newspapers and magazines, FLP uses private data, analytics and research materials prepared by third-party providers. FLP also uses and maintains a proprietary database of qualitative and quantitative information on investment vehicles, benchmarks, and indices.

Although FLP conducts significant due diligence on third-party managers and/or private funds, it has no control over the day-to-day operations of any of its selected managers or funds. Consequently, FLP would not necessarily be aware of certain activities at the underlying fund level, including without limitation the funds’ managers engaging in unreported risks, investment “style drift”, or even fraud. As a result, there can be no assurance that funds recommended by FLP will conduct their business in a manner that is consistent with FLP’s expectations.

➤ *Interval Fund Risk*

Certain mutual funds selected by FLP, specifically interval funds, should be considered illiquid investments in that liquidity is typically limited to some periodic basis, as more fully described in the interval fund's prospectus. Unlike many mutual funds, an interval fund's shares are not listed on any securities exchange and are not publicly traded. There is no secondary market for the shares of these interval funds. Shares of the interval funds are subject to substantial restrictions on transferability and may only be transferred or resold in accordance with the interval fund's organizing documents and the repurchase policy.

➤ *Retirement Fund Rollover Disclosure*

If FLP recommends that a client roll over retirement plan assets into an account to be managed by our firm, such a recommendation creates a conflict of interest if FLP will earn an advisory fee on the rolled over assets. No client is under any obligation to rollover retirement plan assets to an account managed by FLP and may have other investment alternatives, including leaving the assets in the existing retirement plan.

➤ *Optimized Indexing Risks*

Although the goal in employing an Optimized Index strategy is to match, as closely as possible, the returns of a specific index, FLP may not be successful in reaching that goal due to a number of factors. In the design and implementation of our Optimized Indexing strategies, we rely on quantitative models, information, and data supplied by third parties, in addition to our own research ("Inputs"). If the Inputs we use are incorrect, incomplete, or corrupted, or if there were changes in the methodologies employed by any third parties, any decisions FLP made in reliance on that data would be impacted.

In implementing its Optimized Index strategies, FLP employs certain models that are predictive. This means that they rely on assumptions generated from certain historical data. Clients bear the risk that these assumptions will not bear out in the future which will mean that their portfolios will not perform in accordance with their targets. The models that FLP employs are subject to change. FLP will monitor changes made by the model providers that might impact future client performance. FLP may determine that certain models are more effective than others at achieving client investment goals and will migrate to those models at a future point in time.

In an Optimized Indexing strategy, clients will typically hold fewer securities than those in the index itself. This may lead to greater volatility due to concentration risk.

**C. Material Risk of Recommendation Primarily of a Particular Type of Security**

Not applicable. We do not recommend that client portfolios primarily hold a particular type of security.

## Item 9 Disciplinary Information

**A. Criminal or civil action in a domestic, foreign, or military court of competent jurisdiction**

Not applicable. No disciplinary information to report.

**B. Administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority**

Not applicable. No disciplinary information to report.

**C. Self-regulatory organization proceeding**

Not applicable. No disciplinary information to report.

## Item 10 Other Financial Industry Activities and Affiliations

### A. Registration as Broker-Dealer or Registered Representative of Broker Dealer

Not applicable.

### B. Registration as Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person

Not applicable.

### C. Description of Relationship or Arrangement Material to Advisory Business or Clients with Certain Related Persons

Darwin Trust Company of New Hampshire, LLC is a wholly owned subsidiary of FLP. As such, FLP has a conflict of interest when it recommends the use of Darwin Trust for trust services to our clients. Darwin Trust additionally would have a conflict of interest when it recommends FLP as an investment adviser for its clients. Certain employees of FLP may also provide services on behalf of Darwin Trust (“Trust Activities”). FLP and Darwin Trust maintain a service agreement whereby those employees are subject to certain policies and procedures applicable to their Trust Activities. The services provided pursuant to the service agreement include the management of the day-to-day operations of Darwin Trust. Certain employees of FLP may additionally receive referral fees for referring business to Darwin Trust. This creates a potential conflict of interest for those employees when they make that recommendation.

### D. Recommendation or Selection of other Investment Advisors and Receipt of Compensation

Not applicable.

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

A. The standards of conduct in our *Code of Ethics* are intended to ensure that all employees conduct themselves with integrity and honesty while carrying out their fiduciary obligations to clients. As fiduciaries, we always strive to act in the best interests of our clients. Therefore, our employees must place the interests of our clients before their own or the interests of FLP, maintain the confidentiality of client information, and use independent professional judgment in making investment decisions. All employees are required to disclose any personal material interest that they or an immediate family member may have in a publicly traded company or any entity that conducts business with FLP.

All employees are required to comply with all applicable securities laws and are prohibited from insider trading or communicating material non-public information in violation of law. All employees are required to follow restrictions on personal trading such as a “blackout period” for restricted securities and must get approval before making any IPO or limited offering securities transactions. Securities are posted to a restricted list when a portfolio manager has made a decision to trade the security in a client account and the trade meets specified criteria. Employees may not trade for their own account in a security posted to a restricted list during a “blackout period” for that security. All employees must report personal securities transactions and holdings for review by our Chief Compliance Officer.

The Code of Ethics also sets standards for professionalism and competence.

All employees must acknowledge in writing that they have received a copy of the Code of Ethics and any amendments. Employees must also promptly report violations of the Code of Ethics to the Chief Compliance Officer or CEO of the company.

The above is a brief description of the Code of Ethics. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

B. FLP does not buy securities from, or sell securities to, our clients. FLP does not act as a general partner in a partnership in which FLP solicits client investments. FLP does act as an investment sub-adviser to the AFA Multi-Manager Credit Fund and recommends investing in the fund to our clients where it meets clients investment mandate and FLP determines that it is a suitable and appropriate investment. FLP is compensated for its sub-advisory management of the fund on a flat fee basis. FLP is not paid more or less in fees depending upon the amount of client assets invested in the fund. Because we receive a fee for our management of the fund, we have a conflict of interest when we recommend that fund to our clients.

C. FLP's employees can and do invest in the same securities and strategies we implement for our clients. FLP imposes a "blackout period" as disclosed above, for personal trading. If any employee accounts are included in trades conducted on behalf of clients, they are not treated more favorably than client trades, with all securities being allocated pro rata, or consistent with FLP's allocation policies.

D. FLP's employees may invest in securities that are held in FLP's investment strategies. All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility, front running is strictly prohibited and employees must not take inappropriate advantage of their positions.

## Item 12 Brokerage Practices

### **A. Factors in Selection of Broker-Dealers for Client Transactions and Determining Reasonableness of Compensation**

Typically, with respect to equity transactions, due to trade-away costs, we will place trades with the broker that serves as custodian for each client's assets. Therefore, we will not survey or shop the brokerage marketplace for best execution on a transaction-by-transaction basis. As such, it should be understood that we will not have authority to negotiate commissions among various brokers and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we will recommend the use of one of several broker dealers, provided that such recommendation is consistent with our fiduciary duty to the client. Generally, for equity transactions, we will recommend the brokerage services offered by the client's custodian. The factors considered by our firm when making this recommendation are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, and the custodial platform provided to clients, among other factors.

If a client, when undertaking an advisory relationship with our firm, already has a pre-established relationship with a broker and instructs us to execute all transactions through that broker, it should be understood that under those circumstances, we will not have the authority to negotiate commissions, obtain volume discounts, and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients since our firm may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder the firm's fiduciary duty to the client and/or its ability to service the account.

For clients with bank custodians and for fixed income transactions, we transact with broker-dealers with the intent to obtain reasonable brokerage commissions along with superior execution and service.

Unless a client designates a securities broker(s) to be used for a client's account, we place trade orders through such brokers, dealers, or banks based on the following factors:

- net economic result to the client's account;
- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- reasonable commission rates, markups, and/or other transaction costs, if applicable, which may not always be the lowest available at any given time;
- financial strength, stability, and competence of the brokerage firms under consideration;
- efficiency;
- ability to carry out the transaction in cases involving a large amount of the security to be traded;
- availability and willingness to stand ready to execute difficult transactions;
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available;
- availability of investment research and tools that assist us in making investment decisions;
- prior service to us and our clients; and
- availability of other products and services that benefit us and our clients.

Although we currently have no formal soft-dollar arrangements, after considering the above factors, we may also consider our receipt of brokerage and research services, which may include sophisticated computer-generated reports and analyses covering a broad range of information which we may use in developing our investment strategies. Products or services provided to us have included research reports on particular industries or companies, economic surveys and analysis, recommendations as to specific securities, and other services and products (data, news, analytics, quotation equipment, models, forecasts of global markets, valuation and market analysis) providing lawful and appropriate assistance to us in our investment decision making. Clients may be charged markups or other applicable transaction costs, if any, higher than those charged by other broker-dealers in return for receipt of these benefits.

When we obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. We may thus have an incentive to select a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

In situations where we have brokerage discretion, we may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to our firm, so long as such direction is consistent with our duty to seek best execution. These services are of the type described in Section 28(e) of the *Securities Exchange Act of 1934* and are designed to augment our own internal research and investment strategy capabilities. Such services include:

- Analyses or reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts;
- Reports concerning interrelated political and economic factors;

- Access to research analysts; and
- Research-related seminars or conferences.

This may be done without prior agreement or understanding by the client (and done at our discretion). Our firm does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. We may not use each particular research service, however, to service each client. As a result, a client may pay markups or other applicable transaction costs, if any, that are used, in part, to purchase research services that are not used to benefit that specific client. We have adopted the following policies and procedures to monitor and mitigate this conflict:

- We conduct periodic analysis of the total number and size of transactions sent to each approved broker along with reviewing the competitiveness of the qualitative and quantitative execution factors for each such broker; and
- We periodically evaluate the usefulness of services received from brokers in relation to the total number and size of transactions directed to each broker.

Certain services offered by brokerage firms may generally benefit only us. These are typically services intended to help us manage and further develop our business enterprise. These services may include, but are not limited to:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants, and insurance providers; and
- occasional business entertainment of our personnel.

We may suggest the use of securities brokerage firms as custodian in cases where we believe that the overall terms (including the overall investment-related costs) of the arrangement are favorable to a client. The use of a securities brokerage firm as custodian for a client tends to result in the client's transactions being executed primarily through that firm. Charles Schwab and Fidelity are the securities brokerage firms most frequently used as custodians and consequently as executing brokers for those accounts for whom they act as custodian.

Although, as mentioned above, our firm has no formal soft-dollar arrangements, some or any third-party managers selected by our firm and/or the client may have such arrangements. Clients should refer to the third-party manager's disclosure documents for a detailed description of such arrangements, if any.

#### Schwab Advisor Services Program

Our firm participates in the Schwab Advisor Services ("SAS") program offered to independent investment advisers by Schwab. As part of the SAS program, our firm receives benefits that it would not receive if it did not offer investment. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving SAS participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client account; access, for a fee, to an electronic communication network for client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors. The benefits received through participation in the SAS program may or may not depend upon the number of transactions directed to, or amount of assets custodied by, Schwab. (Please see the disclosure under [Item 14](#) below.)

#### Schwab Institutional Intelligent Portfolios

All transactions in accounts invested in these portfolios must be made through Schwab and consequently, in electing to participate in this Program, a client directs FLP to select Schwab as the exclusive executing broker dealer.

### Atrato Consulting Solution

FLP has no input regarding the selection of brokers and the amount of brokerage commissions and fees paid to such brokers for the alternative investment fund managers it recommends. FLP will, however, examine brokerage practices and commission histories as part of its due diligence process.

### **B. Conditions for Aggregating Purchase or Sale of Securities for Client Accounts; Cross Transactions**

When purchasing or selling the same security for more than one client, we may consolidate transactions in an effort to obtain better terms which often results from a larger transaction. However, investment advisors may not always coordinate securities transactions amongst themselves, and aggregation may be limited to a group of clients assigned to a particular investment advisor.

A cross trade is a pre-arranged transaction between two or more different accounts, each of which is managed by the same adviser, whether or not done through a broker-dealer. By “crossing” the transaction internally between two accounts, the adviser can save both accounts the brokerage commissions or “markup/mark-downs” that would be charged in a transaction effected on the open market and/or sale and purchase of securities with limited availability. Whenever we engage in cross trading, written disclosure will be provided to each client participating in the cross trade, either prior or immediately following the transaction, describing the reason(s) for the cross trade and how the pricing of the security was obtained. We will seek independent pricing of the security, whenever available, to ensure that any cross transaction is done on a fair and equitable basis.

## Item 13 Review of Accounts

### **A. Review of Client Accounts**

Each client account is reviewed regularly by the portfolio manager or investment adviser representative assigned to that account. Accounts are reviewed in the context of the objectives and goals contained in each client’s investment policy statement, and allocations or holdings that are inconsistent with the client’s stated investment objective.

Financial planning only services are fully performed and completed upon delivery of a written plan unless a client requests additional financial planning services and we have agreed in writing to the additional services. Any and all recommendations are made based on each client’s representations of their financial circumstances, objectives, needs, and goals as of the date of their engagement with FLP and are based on Key Factors. Any changes to the Key Factors or to the representations made by a client relative to their financial circumstances, objectives, needs, and goals, can impact the effectiveness of our recommendations, plan, or services and, in some circumstances, can render the plan ineffective. Clients should not rely on the plans provided if there are material changes to the Key Factors. We recommend that clients review their financial plan on at least an annual basis or upon a significant change in their personal or financial circumstances.

### **B. Factors Triggering a Review**

While client accounts are reviewed regularly, major changes in economic, financial, or market conditions or the Key Factors would trigger more intensive reviews. Clients must notify us if there are significant changes to their financial situation which would also trigger a review. In addition, we seek to meet regularly with clients to review their goals and objectives as well as to review portfolio strategy, structure, and performance. Such meetings with clients typically prompt an in-depth review, with many customized analyses of the account.

Clients selecting consulting services, including the Atrato Consulting solution, will receive reviews as specifically contracted for in the respective advisory agreement or as requested by the client.

### C. Reports

Clients can request to receive written reports on a quarterly or monthly (if preferred) basis. Regular reports will generally include appraisals of the account assets as of the final day of the month or quarter. Special reports may be created to accommodate a client's requirements.

We will also meet with clients to review their portfolios, provide more in-depth analysis, and discuss any questions they may have regarding their accounts or reports they may receive related to their accounts. Clients receive reports containing holdings, transactions, and valuations from their custodian and are encouraged to review and compare these to the reports that they receive from FLP.

Clients selecting consulting services, including the Atrato Consulting solution, will receive reports as specifically contracted for in the respective advisory agreement or as requested by the client.

## Item 14 Client Referrals and Other Compensation

FLP's employees are eligible to receive compensation for client referrals and therefore, a conflict of interest exists in making such referrals. Clients who are introduced to us through employee referrals are charged fees and costs consistent with other advisory clients for similar services.

Additionally, we compensate unrelated persons or organizations for client referrals. The referral and receipt of compensation by the person or organization making the referral, is disclosed in writing to the referred client. The referred client must also consent to the referral arrangement. Clients who are introduced to us through these referral arrangements are charged fees and costs consistent with advisory clients for similar services.

### ➤ *Schwab Advisor Network*

FLP receives client referrals from Charles Schwab & Co., Inc. (Schwab) through our participation in Schwab Advisor Network (SAN). SAN is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with FLP and its employees. FLP and its employees are not employees or agents of Schwab. Schwab has prescreened FLP and checked its experience and credentials against criteria that Schwab sets. Schwab does not supervise FLP and has no responsibility for FLP's management of clients' portfolios or FLP's other advice or services. Schwab does not prepare, verify, or endorse information distributed by FLP. Investors must decide whether to hire FLP and what authority to give it. Investors, not Schwab, are responsible for monitoring and evaluating FLP's service, performance, and account transactions.

FLP pays Schwab fees to receive client referrals through SAN. FLP's participation in SAN may raise potential conflicts of interest described below.

FLP pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by FLP is a percentage of the fees the client owes to FLP or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee.

For clients referred to FLP through SAN on or before December 31, 2006, the Participation Fee is 15% of the advisory fee payable by clients referred through SAN. FLP pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab.



For clients referred to FLP through SAN on or after January 1, 2007, the Participation Fee is the quarterly equivalent of the following annual percentages of the following amounts of the average daily total assets in the client's household account during the quarter:

- 0.25% of the first \$2,000,000 of market value, plus
- 0.20% of the next \$3,000,000 of market value, plus
- 0.15% of the next \$5,000,000 of market value, plus
- 0.10% of the balance over \$10,000,000

The Participation Fee is taken or billed by Schwab quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by FLP and not by the client. FLP has agreed not to charge clients referred through SAN fees or costs greater than the fees or costs FLP charges clients with similar portfolios who were not referred through the Service.

FLP generally pays Schwab a non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab Custody fee is a one-time payment equal to 0.75% (75 basis points) of the assets placed with a custodian other than Schwab. The non-Schwab Custody Fee is higher than the Participation Fees FLP generally would pay in a single year. Thus, FLP will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and non-Schwab Custody Fees will be based on assets in accounts of FLP's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FLP will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab.

For accounts of FLP's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from FLP's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab will also receive a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees. Thus, FLP may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. FLP, nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for FLP's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

➤ *Fidelity Wealth Advisor Solutions® Program*

FLP participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which FLP receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. FLP is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control FLP and FPWA has no responsibility or oversight for FLP's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for FLP, and FLP pays referral fees to FPWA for each referral received based on FLP's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to FLP does not constitute a recommendation or endorsement by FPWA of FLP's particular investment management services or strategies. More specifically, FLP pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, FLP has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by FLP and not the client.

To receive referrals from the WAS Program, FLP must meet certain minimum participation criteria, but FLP may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage

Services, LLC (“FBS”). As a result of its participation in the WAS Program, FLP may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and FLP may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to FLP as part of the WAS Program. Under an agreement with FPWA, FLP has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, FLP has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when FLP’s fiduciary duties would so require, and FLP has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, FLP may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit FLP’s duty to select brokers on the basis of best execution.

## Item 15 Custody

FLP does not have possession of client portfolio assets. All client assets are held by an independent custodian except where clients elect to retain custody of certain assets. In instances where FLP or one of its employees serves as trustee of a client account, or where the client has designated a third-party payee via a standing letter of authorization, FLP may be deemed to have custody of client funds and securities under certain rules promulgated by the SEC.

Clients receive valuation and transaction statements directly from their custodian on a monthly or quarterly basis. If clients receive reports containing holdings, transactions, or valuations from FLP, they should carefully review and compare them with their custodian’s statements.

## Item 16 Investment Discretion

Most of the clients for whom we provide direct investment management and advisory services, are managed on a discretionary basis. However, clients may place limitations on FLP’s authority such as requiring the holding of a particular security or limiting certain security sales due to tax constraints. We assess whether to treat these client’s portfolios as non-discretionary depending upon the level of limitations placed on our investment discretion.

The procedures we follow before we assume discretionary authority are as follows:

- Determine whether an investment advisory relationship on a discretionary basis is appropriate and complete the account opening process;
- Discuss and review a written investment advisory agreement and discuss the services to be provided, the fees to be charged, the discretionary authority that is being granted to manage and make decisions about the client’s account without prior discussion with or consent from the client, and other terms and conditions of the agreement;
- Discuss the limited power of attorney or trading authorization prior to review and signature by the client;
- Discuss any restrictions that a client may wish to place on the management of the account and determine whether we will be able to provide our services under such restrictions; and
- Client reviews and signs the investment advisory agreement engaging FLP as investment adviser and authorizing FLP to exercise discretionary authority over the client’s account.

### Consulting

Depending on the scope of any given consulting agreement, including the Atrato Consulting Solution, FLP may or may not have discretion to acquire or dispose of investments. All client consulting agreements are tailored to the specific objectives and circumstances of each client and investment discretion is assessed on a case-by-case basis.

## Item 17 Voting Client Securities

Certain FLP clients have authorized FLP to vote proxies on their behalf based upon language in their investment advisory agreements. FLP is not authorized to vote proxies on behalf of all of its clients (including Held Away Accounts). If a client is unsure of whether or not FLP is authorized to vote proxies on its behalf, clients may contact FLP at [flputnam@flputnam.com](mailto:flputnam@flputnam.com). When authorized, FLP votes proxies on through Broadridge Investor Communications Services Inc.'s service, ProxyEdge. The ProxyEdge platform assists in the management, tracking, voting, and recordkeeping of proxy votes.

The purpose of our proxy voting policies and procedures is to ensure that FLP votes proxies in the best interests of our clients and deals with conflicts of interest which might arise from proxy proposals being considered and voted upon. When voting proxies on behalf of its clients, FLP is guided by our general fiduciary duties to act prudently and in the best interest of its clients. FLP votes proxies on behalf of its clients based upon two sets of guidelines. For certain clients, FLP will vote in a manner that targets maximizing the value of a client's investment positions. For other clients, FLP focuses on maximizing the value of a client's investment but also weighs other non-economic factors, including, but not limited to, the particular investment restrictions and outcomes targeted by a given client. A client may direct FLP to take either of these approaches in the voting of their proxies. Absent such direction, FLP will choose a set of guidelines that FLP believes aligns with the client's investment restrictions and interests. Each of FLP's proxy voting guidelines establish a framework to apply to certain types of votes, and then relies upon that framework in making decisions relative to the specific votes at hand. FLP addresses conflicts it encounters with respect to proxy voting primarily through its reliance on pre-established guidelines to vote proxies. FLP may employ other strategies it deems appropriate to address any other FLP conflict identified, including engaging an independent third-party, such as FLP's outside counsel, to make a recommendation on a specific proxy vote.

Proxies will be voted in accordance with the specific guidelines contained in FLP's Proxy Voting Policy. A client may contact FLP to request information about how FLP voted proxies for the securities held in their accounts or to get a copy of FLP's Proxy Voting Policies. A client may also choose to vote their own proxies.

## Item 18 Financial Information

We do not have knowledge of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.