



Firm Brochure  
(Part 2A of Form ADV)  
March 26, 2019

SlateStone Wealth, LLC

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This brochure provides information about the qualifications and business practices of SlateStone Wealth, LLC. If you have any questions about the contents of this brochure, please contact Sharon Daniels, Chief Executive Officer or Milagros Kleiner, Chief Compliance Officer, at 561-244-2504 or [Info@SlateStone.com](mailto:Info@SlateStone.com).

## Item 1 Cover Page

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SlateStone Wealth, LLC is a registered investment adviser with the United States Securities & Exchange Commission “SEC”. References within this Brochure to SlateStone Wealth, LLC as a “registered investment adviser” or any reference to “registered” does not imply a certain level of skill or training. Likewise, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about SlateStone Wealth, LLC is also available on the SEC’s Website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for SlateStone is #286669. You will be able to view Parts 1 and 2 of our Form ADV.

## Item 2 Material Changes

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This updating amendment to our firm brochure (previously dated October 23, 2018) and brochure supplements, discloses the following:

Jeta Grove Partners, LLC, a principal owner of SlateStone Wealth, LLC has changed its name to SlateStone Group, LLC effective February 2, 2019.

On January 2, 2019, we established a regional office in Madison, Wisconsin. Mark Sprenger, JD, Senior Wealth Advisor, Managing Director officially joined our advisory team along with his client service staff. Mr. Sprenger brings over 30 years’ experience to the firm specializing in high net worth client financial management.

David Bottoms, JD has also joined our investment and advisory ranks as Senior Portfolio Manager, Managing Director. Mr. Bottoms brings an extensive array of skills to the firm spanning over 35 years of managing the investment needs of complex families and individuals. He also becomes a member of SlateStone’s Investment Policy Committee alongside our custom equity manager. Mr. Bottoms operates from our corporate headquarters in Jupiter, FL.

A summary of any material changes to our brochure will be made annually by March 31 as required by the United States Securities and Exchange Commission. We may also provide updated disclosure information about material changes on a more frequent basis. Any summary of changes will include the date of the last update of our brochure.

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## Item 4 Advisory Services

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### **Description of Firm**

SlateStone Wealth, LLC (SlateStone or SSW), is a limited liability company formed pursuant to Florida law. The firm's corporate headquarters are located in Jupiter, Florida and regional offices are located in Boca Raton, Florida, Southlake, Texas and Manhasset, New York and effective January 2, 2019 added another regional office in Madison, WI. As of December 31, 2018, the firm had approximately \$517 million in discretionary assets under management as reported in our ADV Part 1 and \$6.3 million in assets under advisement. With the addition of our two new advisors, assets under management on February 28, 2019 totaled approximately \$685 Million.

SlateStone's principal partner/owners are SlateStone Group, LLC, a domestic limited liability company established in the State of Florida. SlateStone Group, LLC is solely-owned by its Managing Partners Patrick E. Tylander, Sharon A. "Sherri" Daniels, and David J. Costigan.

SlateStone is employee-owned and our wealth advisory team is supported by investment industry veterans with decades of investment management experience upholding a fiduciary standard and providing transparency into the wealth management process. We cater to clients seeking high-touch services across a spectrum of financial needs that may be encountered over generations. SlateStone offers a comprehensive suite of specialized services delivered through a defined and robust discovery approach with each client. When working with SlateStone and our team, you can expect personal service and a long-term commitment. Our mission is to create deeply-rooted relationships and to deliver superior long-term results by integrating your financial plan with a disciplined investment process that instills a greater sense of confidence that goals are achievable.

### **Principal Partners**

**Sharon "Sherri" A. Daniels'** professional investment and wealth management experience spans over 30 years of executive level leadership. Ms. Daniels is the Co-Founder and Chief Executive Officer of SlateStone Wealth, LLC. Prior to SlateStone Wealth, Ms. Daniels was Chief Operating Officer and Executive Vice President at Boston Private Wealth Management which acquired Banyan Partners, LLC in 2014 and combined to form a \$9 billion wealth management entity with nationwide reach. At Banyan, Ms. Daniels was Chief Operating Officer, Executive Vice President and Principal responsible for strategic planning, client development and marketing while

overseeing day-to-day business activities including overall operations, marketing, and compliance. Through both organic growth and strategic acquisitions, Banyan Partners grew to over \$4.5 billion over a five-year period until its acquisition by Boston Private Financial Holdings.

During her tenure, Ms. Daniels' skills helped drive significant asset growth – both organically and inorganically -- and built a national brand for Banyan unique in the independent advisory space. Prior to Banyan, Ms. Daniels was the former President of Weiss Capital Management, a Florida-based adviser acquired by Banyan in January 2011. While at Weiss, from 1990 – 2011, Ms. Daniels simultaneously served as President of three separate investment service firms – an independent registered investment adviser, a broker-dealer, and an investment company -- with direct oversight of clients, employees and strategic business initiatives.

**Patrick E. Tylander** has over 15 years of experience in corporate business and financial management. His investment and banking leadership have contributed to significant growth and success in the firms where he has been employed. At SlateStone Wealth, Mr. Tylander is responsible for the execution of the firm's financial and strategic business initiatives, and partner merger and acquisition efforts as Chief Financial Officer and Co-Founder. Prior to co-founding SlateStone, Mr. Tylander was Chief Financial Officer of Boston Private Wealth Management following the acquisition of Banyan Partners, LLC in October 2014. While at Banyan Partners, as Chief Financial Officer, Mr. Tylander was instrumental in the firm's strategic growth specializing in mergers and acquisitions, legal engagement, and financial and technical operations. During his tenure, Banyan acquired seven independent investment advisers between 2009 – 2014, growing from \$30 million in assets to \$4.5 billion. As a member of Banyan's Board of Directors, he closely collaborated with the Chairman and CEO, helping to lead the firm's dynamic national expansion which eventually led to its sale to Boston Private Financial Holdings.

While at Banyan, Mr. Tylander and Ms. Daniels shared direct responsibility for financial and operational integration of all acquired firms spanning the Southeast, Northeast, South and West Coast regions with continued management and oversight across seven regional offices employing over 100 employees. Through mutual collaboration and management of business operations/technology, portfolio and client service operations and financial oversight, Mr. Tylander and Ms. Daniels led not only day-to-day operations but the cultural and business integration resulting from the firm's M&A activities allowing for the efficient scalability of the expanding infrastructure.

**David J. Costigan, CFP®** is Managing Partner and Chief Operating Officer overseeing the firm's financial planning and consulting activities, operations and investment management functions. With over 20 years of financial industry experience, he has worked directly with clients and managed large, wealth advisor teams emphasizing service excellence and comprehensive guidance across a wide-variety of financial complexities. As a former executive at both Banyan Partners, and subsequently Boston Private Financial Holdings, Mr. Costigan has in-depth experience alongside Ms. Daniels, Mr. Tylander and Ms. Kleiner delivering on the unique needs of our clients and business operations.

**Milagros "Millie" Kleiner, MBA** is a partner of SlateStone Wealth and holds the position of Chief Compliance Officer. Ms. Kleiner has over 25 years of experience in the financial services industry. Ms. Kleiner previously worked at Banyan Partners, LLC where she served as Director of Operations and prior to that Chief Compliance Officer. Her broad knowledge base of the investment services industry and regulatory oversight bring value to the client experience. Following the acquisition of Banyan Partners by Boston Private, Ms. Kleiner oversaw client operations and human resources for the combined firm reporting directly to Ms. Daniels. Prior to joining Banyan, Ms. Kleiner handled the business operations for Oaktree Asset Management, an investment advisory firm in New York which was acquired by Banyan in 2009. From 1987-1998, Ms. Kleiner held several management roles at JPMorgan Chase and was part of the Transition Team of the Mergers and Acquisitions Department, overseeing the integration of processes and products at individual branches during the Chase/Chemical merger.

## **Mutual Engagement with Clients**

At SlateStone, every client receives personalized service designed with a long-term perspective that integrates standard financial planning elements with a disciplined and robust investment offering and process. Our purpose is to help clients gain a sense of comfort and confidence that their financial objectives are achievable. In upholding a fiduciary standard, we place our client's interests first and this standard guides us as we deliver independent advice and an authentic experience to our clients.

## **General Description of Advisory Services**

SlateStone offers comprehensive investment advisory services on a discretionary fee basis and, offers financial planning and consulting services on a non-discretionary fee basis.

When a client requires financial planning or consulting services (to be determined based on the scope of the services and in our sole discretion), SlateStone may determine to charge for such additional services, the dollar amount of which will be set forth in a separate written agreement with the client.

### Wealth Management & Investment Advisory Services

SlateStone offers a comprehensive set of wealth advisory services and dedicated resources designed to respond to the unique needs of our clients. SlateStone's *CleanSlate* approach is a process we utilize with new client relationships to begin from a fresh starting point. This process ensures we gain a deep understanding of our client's unique life vision and current financial situation before creating a tailored wealth and investment plan to serve as a roadmap for the future. Understanding a client's life values and financial goals aids in our ability to more successfully govern the relationship and provides a guideline for the ongoing management of our clients plan. Whether the relationship is broad and deep (including comprehensive life management and financial planning combined with investment management and other services), or focused solely on strategic investment management services, our advice to designed to simplify our clients lives and give definition to the mutually established investment objectives we seek to deliver. By taking into consideration, time horizons, tax considerations, liquidity and any other unique circumstances that may impact the management of a client's financial plan and investment portfolio, we are equipped to address a lifetime of changing needs. Throughout our *CleanSlate* approach, our advisor and investment teams use their skills to educate, communicate and collaborate on financial and non-financial issues providing recommendations on investment options to be considered. Interactive management, monitoring and rebalancing of your portfolio strategy is part and parcel of our guidance. SlateStone's suite of investment choices within our *Strategic*

*Portfolio Management Service* is comprised of *specialty investment strategies* invested in mutual funds and exchange-traded funds, asset allocation strategies, model portfolios with access to independent third-party investment advisers. In addition, for clients with highly complex needs, we offer our *Customized Investment Management Service* providing sophisticated investment management solutions, individual security selection and management.

SlateStone serves primarily high net worth and ultra-high net worth individuals and families who typically have in excess of \$1 million in investable assets. The majority of SlateStone's clients receive discretionary investment advisory services on a fee-only basis. Discretionary means you give us written authorization to make investment decisions and securities transactions on your behalf and in accordance with stated objectives. We make all decisions to buy, sell or hold securities or other investments, including cash, in your account and allocate assets in a manner deemed appropriate to meet your investment objectives. SlateStone invests on behalf of its clients primarily in securities that are publicly traded. We supervise client portfolios proactively and will execute transactions to buy and sell positions or rebalance holdings when we believe it is appropriate to help achieve objectives and/or to limit risk.

*Strategic Portfolio Management Service* is a comprehensive investment management solution which includes investment portfolio design and implementation, tax efficient management and reporting plus ongoing and continuous oversight of client accounts. When advising on and constructing client portfolios, the firm will typically utilize equity and bond related ETFs and mutual funds to build a diversified portfolio. Within this framework, we may advise a client utilize a mutual fund asset allocation strategy, model portfolios, or the use of an external third-party manager. Depending on the client's objectives, the firm allocates primarily for results over time however, we will also employ short term, tactical moves to protect from downside market conditions when deemed appropriate. Tactical moves may include the use of specialized funds or ETFs over the shorter term or increasing cash levels as deemed appropriate based on the specific client risk tolerance and short and long term objectives. Where appropriate, and in our *Customized Investment Management Service* which are tailored for clients who have special circumstances or restrictions, we may employ other strategies.

*Customized Investment Management Service* is designed for those clients who typically have greater than \$1 million in investable assets and/or who have special situations or investment restrictions that require highly specialized solutions. Custom portfolios are individually tailored and address sophisticated investment requirements such as situations that involve special tax considerations, concentrated or low-basis stock positions, inheritance issues, or closely held businesses. SlateStone's investment professionals determine through an in-depth review with the client an appropriate plan



of action to meet the client's unique circumstances. Our customized portfolio solutions provide review and analysis of existing holdings, risk management reduction, asset allocation and portfolio construction. Within these portfolios, we typically invest in individual equity and fixed income securities, active management and, where suitable, options strategies and alternative investments that may include exposure to private placements, hedge funds, private equity, and real estate.

SlateStone's *Customized Investment Management Service* utilizes internally managed asset allocation strategies alongside or in combination with individual equities and bonds to create a blended and diversified portfolio to achieve overall investment goals based upon suitability. These services include a comprehensive review of existing assets to ensure a streamlined and tax efficient transition of the client's assets and/or securities to meet an appropriate portfolio design aligned to individual investment objectives.

SlateStone's customized investment solutions are tailored to each client's portfolio objectives. The firm's Investment Policy Committee identifies the big-picture global economic themes and specific industry sectors it believes offer the best investment opportunities from a top-down approach. Assessing the geo-political landscape, direction of interest rates, prospects for inflation/deflation, among other factors, with the goal of identifying sectors to overweight and underweight are included in our ongoing oversight process.

Based on our economic and market outlook, our research team performs in-depth research to compile a "buy-list" of companies based on in-depth analysis of each industry sector and individual equity with the goal of identifying companies that we believe will produce the greatest return within certain risk parameters. We identify companies with specific factors including:

- Consistent and stable earnings and revenue growth
- Consistent profitability
- Relative attractive valuations
- Strong management teams
- Healthy balance sheets
- Competitive advantages to upside potential
- Favorable dividend policy

Further analysis and a quantitative screening process is undertaken and then combined with technical analysis comprised of a number of factors to arrive at the firm's Buy List. Once we've determined the universe of equities that meet our criteria, and following a thorough understanding of our client's financial objectives, we then proceed to construct a custom portfolio designed to meet those expectations. Proactive management of the

portfolio is augmented by a well-defined sell discipline for either fundamental or technical reasons or more attractive opportunities elsewhere. Our investment team's value-add is derived from an emphasis on the big picture investment themes that offer competitive advantages, a superior stock selection process, thematic sector allocation and diversification.

### Life Guidance Services

#### Financial Planning and Consulting.

In the course of providing comprehensive advice to our clients, we may determine that financial planning and/or consulting services on a standalone and separate fee-basis are necessary. These "additional services" are provided on a non-discretionary basis and include guidance on both investment and non-investment related matters, including, but not limited to budgeting, cash flow planning, retirement planning, insurance planning, and estate planning, etc. SlateStone's financial planning and consulting fees are negotiable depending on the level and scope of services required and upon the professionals who render the service. These services generally are provided on a fee basis ranging from \$2,000 - \$7,500 annually based on complexity. Prior to engaging for more complex financial planning and consulting services, clients enter into a *Financial Planning and Consulting Agreement* outlining the terms and conditions of the engagement, the scope of the services, and the portion of the fee that is due from the client prior to SlateStone commencing services. SlateStone may utilize professionals such as licensed insurance agents or recommend outside specialized resources and professionals as appropriate. If directed by the client, we will work closely with the client's CPA, Estate Attorney or other advisors to develop tax and wealth management strategies. SlateStone's financial planning and consulting services are provided on a non-discretionary basis which means the client retains discretion over the implementation decisions and is free to accept or reject recommendations made by SlateStone. (see disclosure Item 10. C).

Importantly, within the scope of financial planning and consulting services, SlateStone does not serve as an attorney or accountant, and its services should not be construed as legal or tax advice. Furthermore, SlateStone does not prepare estate planning documents or tax returns. In service to our clients, we may recommend outside professionals for non-investment-related services (accountants, attorney's, insurance agents) or a professional licensed to sell insurance products in their individual capacity. The client is never under any obligation to engage with a recommended professional. Whereby a client uses the services of a recommended professional and a dispute arises thereafter, relative to that engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

## Independent Managers/Separately Managed Accounts

In certain circumstances and to meet overall client investment objectives, our internally managed solutions may be augmented with an investment strategy from an external, independent manager skilled in specialized management strategies (options, alternatives, real estate, structured notes, etc.).

When recommending independent managers, SlateStone may recommend the addition of a single investment strategy in a client's portfolio offered by a select group of independent investment advisers or Separate Account Managers that act as managers for a particular strategy. In recommending independent managers, SlateStone will consider factors such as the manager's designated investment objective, management style, performance, reputation, financial strength, reporting, and pricing. When utilizing an independent manager, SlateStone will continue to provide investment advisory services to the client relative to ongoing monitoring and review of account performance, overall portfolio asset allocation, and client investment objectives. Importantly, in such circumstances, the independent manager shall have day-to-day responsibility for the active discretionary management of the allocated assets.

Additionally, we have access to the Envestnet platform to provide related research to our investment committee regarding the investment discipline and/or approach used by the approved managers on the Envestnet platform to identify and select a single diversified strategy that best fits a specific investment objective and risk tolerance. When utilizing an independent manager, SlateStone will continue to provide investment advisory services to the client relative to ongoing monitoring and review of account performance, overall portfolio asset allocation, and client investment objectives

SlateStone will require additional documents to be completed for this service in addition to the firm's standard new client documents.

## Account Aggregation

In conjunction with the firm's portfolio management software provided by Black Diamond, SlateStone offers aggregation of outside assets/accounts held by a client and may provide periodic comprehensive reporting services which incorporate all of the client's investment assets including those investment assets that are not part of the assets being managed by SlateStone. SlateStone's service related to outside assets is limited to the reporting service only and does not include discretionary investment management of the outside assets, SlateStone does not have trading authority over the outside assets and as such the client is exclusively responsible for directing and implementing any recommendations SlateStone may provide in the course of our financial planning or investment management relationship related to outside assets. Further, SlateStone shall not be responsible for any implementation error (trading, etc.)

that make occur related to any outside assets. In the event the client desires that SlateStone provide investment management services on any of the outside assets, the client will do so under the terms and conditions of SlateStone's *Investment Management Agreement*.

### Cash/Liquid Positions

In the course of managing investments for clients, SlateStone may choose to take a defensive position and increase cash positions based upon perceived or anticipated negative market conditions. All cash positions (money markets etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee.

Information describing our minimum account sizes and our investment management fees is outlined in Item 5 of this Brochure. SlateStone may grant exceptions to minimum requirements for pre-existing clients, related households, or on a pre-approved basis only.

## Item 5 Fees and Compensation

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When a client chooses to engage SlateStone investment advisory services, they do so on a fee-basis. SlateStone's investment management fees are assessed in the following ways:

- For *Strategic Portfolio Management Services* and *Customized Investment Management Services*, we charge a percentage-based fee calculated as a percentage of the market value of the assets in your account.
- For *Financial Planning and Consulting Services*, we charge a fee depending on the scope of the planning services required.

Depending on the scope of the services provided, additional documents will be required from the client in order to facilitate our financial planning and consulting guidance.

SlateStone's fees for *Strategic Portfolio Management* and *Customized Investment Management Services* are negotiable but generally are between 0.25% and 1.50% as follows:

## Standard Management Fee Schedule

<b>Strategic Portfolio Management Services</b>	<b>Total Assets Under Management</b>	<b>Annual Advisory Fee as % of Total Assets</b>
	On the first \$2,000,000	1.50%
	On the next \$3,000,000	1.00%
	On the next \$5,000,000	0.50%
	\$10,000,000 and above	Negotiable

Household minimum is typically \$1,000,000 however, accounts established with less than \$1,000,000 are at the sole discretion of SlateStone.

529 College Savings Plans are charged a flat rate 0.50%.

<b>Customized Investment Management Services</b>	<b>Total Assets Under Management</b>	<b>Annual Advisory Fees as % of Total Assets</b>
	On the first \$2,000,000	1.50%
	On the next \$3,000,000	1.00%
	On the next \$5,000,000	0.50%
	\$10,000,000 and above	Negotiable

SlateStone enters into a written *Investment Management Agreement* “IMA” with each client prior to providing services. The IMA describes the scope of SlateStone’s services and how we calculate and charge our fees.

### **Investment Advisory Fees - Automatic Fee Deduction/Billing**

The percentage-based annual management fee is prorated and paid quarterly, in advance, and is based on the total market value of the assets in the account on the last business day of the previous quarter as valued by the custodian.

All investment management fees are charged to and deducted from the appropriate brokerage account or another custodial account as directed by the client, unless otherwise specifically arranged with the client. Account statements provided by the custodian will show all transactions and positions in the account, including the amount deducted for our fees. It is the responsibility of the client, not the custodian, to verify that the advisory or other fee is applied to a client’s correctly.

If a client chooses not to have fees deducted directly from the custodial account or desires to pay fees from another account or by invoice, management has sole discretion to bill fees separately. Regardless of payment method, if the client is ever more than 60

days delinquent on paying any portion of fees due, the client authorizes SlateStone to take such fees directly from the account (even in the case of a retirement account).

In certain unique relationships, the terms for fees and billing periods may differ from those described herewith, typically for those clients who joined SlateStone as part of a corporate merger or acquisition. When a client joins us as a result of a combination with another firm, we typically do not change the fee arrangement previously established. In its sole discretion, SlateStone may charge a lower investment management fee based upon certain criteria (anticipated future additional assets, dollar amount of assets to be managed, related client relationship, composition of assets to be managed, future earning capacity of client, etc.)

Unless otherwise stated, SlateStone's investment management fees do not cover or include brokerage commissions, transaction costs, custody fees or other related expenses (see Additional Fees and Expenses not paid to SlateStone below).

SlateStone does not accept compensation from the sales of securities, share in commissions or transaction costs.

### **Cancellation Process, Accrued Fees & Refunds**

A client may terminate an account or the full relationship at any time or may change an account objective upon notification to SlateStone. You shall have five (5) business days from the date of execution of the *Investment Management Agreement* to terminate services for a full refund.

SlateStone requires a written notice of termination of any of its services. Upon such notice, SlateStone will cease making investment decisions under the *Investment Management Agreement* and/or providing financial advice incidental to the *Financial Planning and Consulting Agreement* and will implement any reasonable written instructions that are provided. The investment account(s) can be closed and funds withdrawn only after any open trades have been settled. Upon termination of an investment account, SlateStone will refund any pre-paid management fees, pro-rated to the date of termination. The client refund amount will be either credited to the account or paid by check to the account holder.

A one-time fee of \$1,000 to cover account set-up expenses and advisory services will apply if the client terminates the account within 180 days. This fee can be deducted from any reimbursement owed to the client for pre-paid fees.

## **Additional Fees and Expenses**

*Mutual Fund and ETF Management Fees.* Accounts invested in mutual funds and exchange-traded funds generally also pay, indirectly, investment advisory fees to the managers of those funds. As such, client accounts with investments in those types of securities will be subject to two layers of management fees. An explanation of the fees and expenses paid by each mutual fund is contained in that mutual fund's prospectus.

*Mutual Fund transaction fees.* Depending on the custodian, SlateStone may be able to purchase and sell mutual funds with no transaction fees. Note that clients who do not trade through specific custodians may not be eligible for these waived transaction fees. Fees may be imposed upon early redemption, if the fund was owned prior to our management or if we sell the fund at our discretion. An explanation of fees and expenses charged by each mutual fund is contained in that fund's prospectus.

*Brokerage Fees.* SlateStone's management fee does not include brokerage commissions, transaction fees, exchange fees, SEC fees and other related trading costs and expenses.

*External Account Manager Fees.* If SlateStone engages an external independent investment manager to manage a portion of client's assets, the client may be responsible for paying all fees charged by the external account manager on those assets in addition to SlateStone's *Strategic Portfolio Management* or *Customized Investment Management Services* fees. SlateStone will obtain written consent from the client for outside manager fees and additional documents will be required.

*SubAdvisory and Dual Contract Clients.* Fee schedules for clients participating in sub-advisory or dual contract programs may be separately negotiated with the relevant client or intermediary. The firm's standard fee schedule is not necessarily applicable to sub-advised or dual contract account clients. SlateStone's management fees for advice to clients in a dual contract, separately managed or sub-advisory account may be less than for the direct management of an account managed internally. The sub-advisor or intermediary generally charges clients quarterly in advance for some form of comprehensive fee based upon the percentage of the value of the client's assets under management in the program. This comprehensive fee may include execution, consulting, custodial and other services performed or arranged by the program sponsor and amount sufficient to cover the investment advisory services of discretionary managers such as SlateStone. In some cases, the discretionary manager's fee is paid directly by the client pursuant to a separate contract executed between the manager and the client. In other programs, the manager's fee is paid directly by the program sponsor. SlateStone may participate in both types of programs – dual contract or single contract

-- and may be paid its investment management fee out of the fees collected by the sponsor or directly by the client.

*Donor Advised Fund Fees.* When a client's assets are allocated toward a donor advised fund, the client will be responsible for paying all fees charged by the fund on those assets in addition to SlateStone's advisory fees. The fund will impose and arrange for the automatic deduction of its own fees from the account of the client.

The following is a list of additional fees and expenses that may be directly billed or assumed proportionately by you and third parties:

Custodial fees, transfer taxes, odd-lot differentials, margin interest, deferred sales charges (on mutual funds or annuities), wire transfer and electronic fund processing fees, advisory fees and administrative fees charged by mutual funds and exchange traded funds (ETFs). The fees listed above are charged by and paid to a broker-dealer, custodian, mutual fund company, or annuity issuer, as applicable. We do not directly or indirectly share or receive any portion of these fees.

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

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SlateStone manages only accounts that pay percentage-based management fees as described in Item 5. We do not currently offer or manage accounts that pay performance-based compensation.

## Item 7 Types of Clients

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SlateStone provides investment advisory and wealth management services to a wide variety of clients including: individuals; families; trusts, estates and charitable organizations; corporations or other business entities; not-for-profit entities, including foundations; retirement and profit sharing plans such as IRAs and 401(k), 403(b), and 457 accounts.

SlateStone typically prefers clients establish a relationship with a minimum of \$1,000,000 or more to invest and may accept accounts for \$500,000 at our discretion.



Customized Investment Management Services require a minimum of \$1,000,000 or more. Requirements for opening an account are disclosed on our Annual Fee Schedule, under Item 5, Fees and Compensation. SlateStone may waive minimums at its sole discretion.

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

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### **Methods of Analysis**

SlateStone's research department makes available to its professional advisory team certain information which includes recommendations on equities, fixed income securities, mutual funds, ETFs, alternatives and the use of external independent managers. SlateStone's investment research is used by its wealth management professionals to tailor recommendations and design an investment portfolio to a client's specific needs, circumstances and objectives. The firm's research department uses fundamental, quantitative, technical and cyclical analysis in evaluating securities. Fundamental analysis involves looking at economic, financial and other qualitative and quantitative factors in an effort to measure a security's value.

We may use various financial databases and tools such as FactSet, Bloomberg Professional, Morningstar's Direct, NATIXIS and The Value Line, Barron's, Briefing.com, Seeking Alpha, StockCharts.com, TFC-Charts.w2d.com, QuantumOnline.com and the Wall Street Journal. We also use other commercially available technology, including research provided by custodians, financial periodicals and other publications, SEC filings, and financial statements to assist with our analysis. In certain instances, we may use outside research to provide expertise in specific investment areas or for more in-depth analysis.

*Equities.* SlateStone employs a top-down approach in managing client's investment portfolios. We begin with a detailed study of the macro-economic environment reviewing and analyzing business trends and the economic cycles both domestically and abroad. We look at the direction of interest rates, the influence of political policies and the general strength in business and industries. Based on the results of our study, we determine where to focus our efforts in finding global investment ideas. We then determine which equity industry sectors in which to concentrate and the sub-industries that we believe will benefit from our expectations of economic growth.

SlateStone's methods for identifying new investment ideas focuses on a four tier approach.

1. We begin our process of identifying investment ideas by running a quantitative screening against a universe of tens of thousands of individual companies based all around the globe. We screen for earnings growth rates, revenue growth rates, valuations and debt levels.
2. Companies identified in our Quantitative Screening are then reviewed using Technical Analysis during which we review multiple years of trading charts, compare the current price action to moving averages and trend lines and review relative strength and money flow indicators.
3. Stocks that pass our technical review will be reviewed using valuation analysis which involves measuring the current price earnings ratio, PEG ratio, price to book, price to cash flow, price to sales and enterprise value to sales and EBITA. Stocks identified with favorable valuations are then compared using the same analysis to their closest competitors in our peer to peer analysis.
4. Stocks that pass our Valuation Analysis will be reviewed using fundamental analysis which involves looking at competitive advantages, the uniqueness of a company's products or services, barriers to entry, sustainable growth and potential threats.

*Mutual Funds and ETFs.* SlateStone evaluates, selects and monitors mutual funds and ETFs across multiple asset classes and investment styles. SlateStone's investment selection process for mutual funds begins by screening potential funds using various industry sources. The firm uses specific criteria to determine the overall investment merit of a specific fund focusing on the fund's historical performance in both bull and bear markets, current performance, fund purpose and sector, price volatility, standard deviation, the fund's returns over a specific period of time, and overall management stability and integrity. SlateStone's investment process for exchange traded funds (ETFs) is based upon a quantitative methodology to choose ETFs that represent specific industry sectors, baskets of regional and international stocks, fixed-income instruments and commodities. By analyzing ETF data, our portfolio managers seek to identify ETFs that appear to be under accumulation by investors, particularly institutions, early in a trend, and those that appear to be out of favor.

SlateStone Wealth manages risks within our clients' portfolios by maintaining a diversified portfolio, limiting the number of holdings to a manageable total, calculating price targets and risk levels, and supervising the daily client holdings and by rigorously monitoring the market and economic trends affecting the securities we invest in on behalf of our clients.

SlateStone adheres to the philosophy that long-term results can be achieved by adhering to established processes built on goals-oriented objectives, an understanding of the impact emotions have on investor behavior and factoring that knowledge into our portfolio construction when developing a long-term financial and investment plan for our clients. This entire process is augmented and enhanced by applying a disciplined rebalancing process to our portfolio management that's intended to reset allocation targets, maintain appropriate portfolio risk parameters, and reduce overweighting. SlateStone's sell discipline involves the same procedures we employ to identify a potential purchase candidate, simply in reverse. We carefully review the fundamentals affecting the securities purchase for our clients. We are rigorously monitoring peer to peer valuations and the valuations of our holdings. Technical analysis is applied daily towards each of our names and our quantitative screens are monitored and reviewed regularly. Our sell discipline may be triggered by certain variables including earnings deceleration, fundamental changes in a security, company or within the industry or sector.

*Bonds/Fixed Income.* SlateStone Wealth's fixed income securities are selected based on client objectives for income, risk tolerance, time horizon among other factors. Our fixed income security selection includes taxable, tax-free and high-yielding portfolios of investment grade quality.

*External Independent Managers.* SlateStone's discretionary authority includes the ability to select any US registered investment adviser to manage client assets based on specific criteria and such managers may invest client assets in separate accounts or investment funds managed by other advisers. These external investment managers are authorized to buy, sell and trade in securities in accordance with client investment objectives as communicated by SlateStone. SlateStone is authorized to terminate or change independent managers when, in our sole discretion, we believe such a termination or change is in our clients' best interests. SlateStone's research team conducts a thorough review process to select external manager strategies and runs portfolio analytics and reviews proprietary research along with fundamental and historical pricing and relative pricing. This review includes quantitative and qualitative analyses which may include direct discussion with the manager to assess each manager's likelihood of generating future returns as well as to measure the risks associated with the generation of those returns. The research team monitors external managers for adherence to their stated investment process and regularly assesses whether risks are being responsibly managed. The ongoing screening process is also designed to uncover new external investment strategies that may be utilized for SlateStone's clients.

*Donor Advised Funds.* SlateStone Wealth can facilitate a client's interest in charitable giving by allocating a portion of the client's assets to a donor advised fund. In

specific circumstances, a foundation will administer the donor advised funds for clients and SlateStone manages assets in these donor advised funds.

*Derivative Investments.* SlateStone Wealth may utilize derivative investments and options where suitable for its clients to meet specific objectives for growth, risk management, and income. The firm will determine analyze, select and monitor derivative securities for clients qualified to invest in them.

*Structured Notes.* Structured products are a combination of a traditional investments (such as: equities, currencies, bonds, commodities, or funds) and one or more derivatives that are structured into one securitized instrument. As structured note is a financial instrument that combines two elements, a debt security and exposure to the underlying asset. As a note, it carries counter-party risk of the issuer with the return on the note linked to the return of an underlying asset. The most common type of structured product utilized selectively at SlateStone is a buffered return-enhanced note which provides for some downside market protection while leveraging market returns on the upside and is linked to a particular market index (such as the S&P500 Index). Structured products may involve a high degree of risk and may be highly complex but they may also be used as flexible alternatives to traditional investment categories while providing attractive additional features, such as capital protection, yield enhancement, leverage or a combination thereof. On a selective basis, SlateStone may employ the use of structured products within client accounts when suitable to the client's overall asset allocation, investment time horizon and risk profile. Importantly, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Further, structured notes may also encounter liquidity issues, when being sold prior to maturity.

## **Investment Strategies**

As part of the firm's *Strategic Portfolio Management Service*, SlateStone has developed model asset allocation strategies and processes to manage client portfolios. These model strategies may be combined, as appropriate, for each client's personal financial condition and investment objectives. SlateStone offers six model asset allocation strategies to align with overall client objectives and risk tolerances and which invest primarily in mutual funds and exchange traded funds:

- Fixed Income
- Conservative
- Moderate Income
- Moderate Growth
- Growth
- Aggressive

Based upon market conditions and the firm's investment outlook, the composition of the above portfolios may include, at varying percentage allocations, the following asset classes:

- Equities including domestic, global, international, large, mid-cap and small cap, sector and diversified funds
- Fixed income including short and long term high quality, mortgage back, strategic income, bank loans, high-yield
- Alternatives including long/short, tactical, hedging, cash, real estate

Furthermore, the model portfolios percentage asset allocation ranges (across cash, equities, fixed income and alternatives) may be modified upon approval of the firm's Investment Policy Committee to align closely with our investment thesis in different market environments.

In certain sized portfolios and based upon client objectives and suitability, structured notes may be utilized as well.

Accounts managed in SlateStone's *Strategic Portfolio Management* strategies and portfolios under \$1 million in size are designed to meet the specific needs of a common group of clients.

### **Risk of Loss**

All investments involve the risk of loss of your principal (invested amount) and any profits that have not been realized (the securities have not been sold to "lock in" the profit). Markets can be volatile and prices of stocks, bonds, and other investments can fluctuate substantially over time. Other factors such as economic and political events also can affect the performance of your investments. There is no guarantee that you will not lose money or that you will meet your investment objectives. We encourage you to discuss any questions with us that may arise regarding our investment philosophy and your portfolios throughout the course of our relationship.

### **Listed below are some potential risks with any investment:**

Cash Management Risks. The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

Equity-Related Securities and Instruments. The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges

and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

Fixed Income Securities. Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

Mutual Funds and ETFs. An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value "NAV", plus any shareholders' fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units

(usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Market Risk. Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of SlateStone's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that SlateStone will be able to predict these price movements accurately or capitalize on any such assumptions.

Volatility Risks. The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

Interest Rate Risk. An increase in interest rates could depress the prices of bonds and other fixed income securities in a client's portfolio.

Event Risk. An adverse event affecting a specific company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The issuer could become unable to handle its debt service, or receive a downgraded credit rating by a rating agency.

Liquidity Risk. Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.

Political Risk. The events that occur in the home country of the foreign company may impact valuations. Events such as revolutions, nationalization, currency collapse or other types of events can have a negative impact on the security.

Inflation Risk. Inflation is a general upward movement of prices reducing your purchasing power, which is a risk for investors receiving a fixed rate of interest. The concern for individuals is that inflation will erode returns.

Derivative Risk. Investing and engaging in derivative instruments or derivative transactions such as options, commodity funds and commodity exchange traded funds

“ETF”s, may involve different types of risk and possibly greater levels of risk such as those listed below.

Leverage Risk. A derivative instrument or transaction may disproportionately increase an account’s exposure to the market for the assets underlying the derivative position and the sensitivity of an account’s portfolio to changes in market prices for those assets.

Counterparty Credit Risk. An account’s ability to profit from a derivative contract depends on the ability and willingness of the other party to the contract “counterparty” to perform its obligations under the contract. If the counterparty to an over-the-counter contract fails to perform its obligations, an account may lose the benefit of the contract and may have difficulty reclaiming any collateral that an account may have deposited with the counterparty.

Lack of Correlation. The market value of a derivative position may correlate imperfectly with the market price of the asset underlying the derivative position. If a derivative position is being used to hedge against changes in the value of assets in an account, a lack of price correlation between the derivative position and the hedged asset may result in an account’s assets being incompletely hedged or not completely offset price changes in the derivative position.

Illiquidity. Over-the-counter derivative contracts are usually subject to restrictions on transfer, and there is generally no liquid market for these contracts. Although it is often possible to negotiate the termination of an over-the-counter contract or enter into an offsetting contract, a counterparty may be unable or unwilling to terminate a contract with an account, especially during times of market instability or disruption. The markets for many exchange traded futures, options and other instruments are quite liquid during normal market conditions, but this liquidity may disappear during times of market instability or disruption.

Less Accurate Valuation. The absence of a liquid market for over-the-counter derivatives increases the likelihood that SlateStone will be unable to correctly value these interests.

Tax Harvesting Risk. Efficient tax-loss harvesting is an important component of a customized portfolio approach. Tax harvesting is a strategy where an ETF or mutual fund is sold at a taxable loss and replaced with a security whose historical performance and expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. Because past performance is no indication of future performance, there is potential for the future performance of the replacement position to deviate from that of the initial holding. This type of strategy may also incur an increase in the frequency of trading and amount of transaction costs.



Some of our investment strategies require that you maintain a margin account. Clients who purchase securities may pay for them in full or may borrow part of the purchase price from the broker-dealer that holds his/her account. Clients generally use margin to leverage their investments and increase their purchasing power. At the same time, clients who trade securities on margin incur the potential for higher losses. We will discuss the risks of using margin with clients to determine if it is appropriate.

## Item 9 Disciplinary Information

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Neither SlateStone Wealth nor any of its employees have any disciplinary matters to disclose regarding its advisory business or the integrity of its management.

## Item 10 Other Financial Industry Activities and Affiliations

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SlateStone Wealth LLC “SSW” is not and does not have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investments company or hedge fund, and offshore fund), a futures commission merchant, commodity pool operation, or commodity trading advisor, or a banking or thrift institution.

SSW is an independent registered investment advisory firm and provides asset management, financial planning and consulting, and investment advisory services to retail clients. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. While we do not sell products or services other than investment advice, certain of our representatives or employees may provide services outside of their role as investment advisor representatives with us.

Certain SSW employees may serve on corporate boards; however, such board participation requires approval by SlateStone’s CEO and does not create any material conflict for SlateStone or the employee/principals involved.

SSW has received a substantial number of referrals from the public accounting firm, King & Lenson, LLC “K&L”. One of the partners of SSW, Terri King, CPA is a minority equity member of SSW and a majority equity member of K&L. Ms. King is a full-time employee of K&L, but does attend scheduled partner meetings of SSW. The K&L website is [www.kinglensoncpas.com](http://www.kinglensoncpas.com). Each company is owned and operated independently from the other. As a result, there is never any obligation on behalf of the client referred to either firm to use one or both companies. K&L and its employees are compensated for referring clients to SSW for investment advisory services in accordance with Section 206(4)-3 of the Investment Advisers Act of 1940 and with the disclosure requirements. As such, all applicable Federal and/or State laws will be observed, and appropriate disclosures made.

Other Professional Section 206(4)-3 referral sources.

SSW’s highly customized, integrated approach to wealth management includes working closely with accounting, legal, and insurance firms. We have made arrangements with these and other professional referral sources to pay them referral fees. This in no way increases the investment advisory fees the client is charged. All applicable Federal and or State laws are observed, and appropriate disclosures are made.

Certain of SlateStone’s investment advisor representatives have insurance licenses in a separate capacity. When acting in a separate capacity, the investment advisor representative may suggest certain insurance products to achieve a client’s financial goals which could include general disability insurance, life insurance, fixed or variable annuities, and other insurance. In these situations, and incidental to our financial planning guidance, your investment advisor representative may choose to refer you to non-affiliated, third-party licensed insurance agent to provide independent guidance and for the purchase of insurance products. You are under no obligation to implement any insurance or annuity transactions recommended to you by either your investment advisor representative or a referred agent. Further, neither SlateStone Wealth nor its investment advisor representatives receive any compensation for the sale of insurance or annuity products nor will SlateStone Wealth reduce its advisory fee to offset commissions paid in connection with the sale of one of these products by a third party.

## Service Agreements

SlateStone Wealth has a Service Agreement with SS&C Advent/AXYS to provide trading, data aggregation, and reconciliation as well as with Black Diamond for billing, portfolio management, reporting and other operational solutions. These agreements allows SS&C to perform certain, operational, data aggregation and other administrative duties with our custodians on our behalf.

SlateStone Wealth also has custodial services agreements with our custodians TD Ameritrade Institutional, Fidelity Institutional Wealth Services, Schwab Advisor Solutions other qualified custodians as approved by SlateStone Wealth, LLC. TD Ameritrade Institutional, Fidelity Institutional Wealth Services and other qualified custodians will also help pay for business consulting and professional services received by Advisor's related persons. The products or services provided by our Custodians may assist SlateStone in managing and administering Client accounts, including accounts not maintained at one of the other custodians. Other services made available by our Custodians are intended to help SlateStone manage and further develop its business enterprise. The benefits received by SlateStone or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to a particular custodian. As part of its fiduciary duties to clients, SlateStone endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SlateStone or its related persons in and of itself creates a conflict of interest and may indirectly influence the Advisor's choice of a qualified custodian for custody and brokerage services. (Please refer to Item 14 – Additional Compensation for more information).

## Item 11 Code of Ethics

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Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act") requires all investment advisers to establish, maintain and enforce a Code of Ethics. Accordingly, the Act places a fiduciary standard on the adviser to act in the best interest of each client.

SlateStone has adopted a Code of Ethics designed to identify and mitigate conflicts of interest. All employees (excluding seasonal interns with limited access to client data) are considered "Access Persons" of the Firm. Access Persons are individuals who may have access to nonpublic information, or regarding our investment strategies and advice. All employees are subject to this Code and are expected to comply with applicable laws, exhibit high ethical standards and to place clients' interests first. The fiduciary duty of an adviser and its representatives is a core principle underlying the adviser's Code of Ethics and sets out the responsibility of the adviser to place the interests of clients ahead of its own.

SlateStone employees are required to report all personal securities transactions except for transactions in: U.S. government obligations; money market funds; bankers acceptances; bank CDs; commercial paper; high quality short-term debt instruments; shares issued by money market funds, open end mutual funds registered in the US and

shares issued by unit investment trusts that are exclusively invested in open-end mutual funds registered in the US. Our Chief Compliance Officer or designee is responsible for reviewing these transactions and holdings.

SlateStone employees may invest in the same securities that SlateStone recommends to its clients. All such transactions are reviewed by SlateStone's compliance department and if such transactions are permitted, it is because SlateStone believes that such transactions do not present a conflict of interest considering the markets and liquidity for the securities traded. Any employee transaction in securities that would be deemed to create a conflict of interest with clients and/or client accounts would require prior approval.

Our Code of Ethics also provides that our employees may not serve on the board of directors of any public company, including mutual fund boards of trustees without approval. Employees must obtain prior written permission to serve as a trustee on a client account other than the account of a family member or to serve as a trustee or a board member for any charity or not for profit entity. If such service is approved, it is because it does not create any conflict of interest.

You may request a complete copy of our Code of Ethics by contacting us at the address, telephone or email address on the cover page of this Brochure.

A number of our employees are practicing Chartered Financial Analysts (CFA's) and are required to subscribe to the CFA Institute Code of Ethics and Standards of Professional Conduct. The Code and Standards are accepted in writing and adherence affirmed on an annual basis by the employee holding the certificate. A written copy of the CFA Institute Code of Ethics and Standards of Professional Conduct can be provided upon request.

## Item 12 Brokerage Practices

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For clients in need of brokerage and custodial services, SlateStone generally recommends the use of either TD Ameritrade, Fidelity Institutional Wealth Services "Fidelity", or Charles Schwab and Co., Inc. "Schwab" to serve as the broker-dealer/custodian for client investment management assets. TD Ameritrade, Fidelity and Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to SlateStone's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund

and exchange traded fund purchases, charges imposed at the fund level (i.e. fund management fees and other fund expenses).

Brokerage fees for trades executed through clients' custodians and other broker-dealers may vary depending on the qualified custodian where the account is held. There may be specific terms, fees, or commission schedules associated with trading with qualified custodians' affiliated broker-dealers.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. In making this assessment, the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness are considered. Certain custodians have programs that allow us to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

### **Client Directed Brokerage**

Certain clients may direct SlateStone to use a specific broker dealer who has an existing relationship with, or provides custodial or other services, to a client. SlateStone requests that any directed brokerage instruction to be in writing. Before choosing to enter into a directed brokerage arrangement, clients should be aware of the following disadvantages:

- Directed brokerage clients may pay higher commission rates than those paid by other clients, may receive less favorable trade executions and may not obtain best execution on their transactions.
- Directed brokerage accounts may not be able to participate in aggregated or block transactions with other clients. This may preclude directed brokerage accounts from obtaining more favorable terms that might be available from aggregated transactions.

As a registered investment adviser, we have a duty of best execution to our clients. Accordingly, we retain the right to decline your request for directed brokerage if, in our sole discretion, we determine it would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

### **Trade Aggregation & Order Handling**

As previously noted, in our *Strategic Portfolio Management* services we offer model asset allocation strategies, and through our *Customized Investment Management* services we provide individually customized investment portfolios. Clients in our model

asset allocation strategies typically hold the same securities as other clients in the same strategy with variations depending on the time of purchase of securities in the strategy and initial allocation.

When possible, we block or aggregate orders when buying and selling securities held in our asset allocation strategies and distribute or allocate the shares to the respective clients' accounts. We may block or aggregate orders with each custodian, resulting in several block trades in one security at one time. This practice may result in more favorable pricing than would occur with individual trades. When securities are distributed to more than one client, the execution price will be the average of the price of the securities within each block. This will result in the same trade price for all clients within the block, but there can be differences between accounts due to commission charges, which often are related to the number of shares allocated.

Securities purchased or sold in a block transaction are allocated pro rata, when possible, to the participating client accounts in proportion to the size of the order for their respective accounts. In all cases, we distribute the securities equitably across the accounts. If circumstances are such that it is impractical for us to allocate a small number of securities across accounts then we may allocate in a manner that we believe is fair to all clients.

Clients utilizing our *Customized Investment Management* service and those with individual custom portfolios, may or may not, hold the same securities as another client in this service. Typically the variations among these portfolios can be substantial between one client and the next and are therefore difficult to aggregate for block trading purposes.

Generally, we place trades on a client-by-client basis for our customized portfolios unless we decide to purchase or sell the same securities for several clients at approximately the same time. In these instances, we may, but are not obligated to, block these orders to obtain best execution, or to allocate equitably differences in prices and commissions among our clients if the trades had been placed separately. Like our process with the model asset allocation strategies, we average the price of the transaction and allocate the positions on a pro-rata basis across the participating clients' accounts. SlateStone does not receive any additional compensation as a result of aggregating or blocking trades.

SlateStone Wealth participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (TD Ameritrade) member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC registered broker-dealer. TD Ameritrade offers to independent investment Advisors, services which

include custody of securities, trade execution, clearance, and settlement of transactions. Advisor received benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under item 14 below.)

## Item 13 Review of Accounts

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SlateStone strongly believes that ongoing client account reviews are an integral part of a proactive investment advisory process. The firm has developed a process to conduct regular client portfolio reviews and ongoing monitoring of client accounts.

SlateStone's wealth advisers, supported by the portfolio management team, and with oversight by SlateStone's Investment Policy Committee are responsible for clients' investment plans and positioning of accounts based on market conditions and risk tolerances. In addition to our ongoing monitoring of managed clients, the client advisors will conduct an in-depth review of client portfolios at a minimum annually and more frequently based on a determination with individual clients or the complexity of the strategy. Part of the review process includes a careful review of the client objectives to confirm nothing has changed as well as a review of the asset allocation to determine it is in line with stated objectives and is being managed in accordance with SlateStone's stated strategy objective, policies and procedures.

SlateStone's Client Service Team is responsible for compiling new account paperwork with the wealth advisor and/or business development advisor's involvement. The client service team will review new account paperwork at the beginning of the relationship to ensure that we have obtained all the appropriate documents required to manage the accounts including, objectives, and risk profile.

SlateStone's Chief Executive Officer, Managing Partner of Wealth Guidance or his or her designee will also conduct a review of the services selected and the suitability of those selections based on the information provided as part of the new account documentation. At a minimum, accounts are reviewed by senior management on an annual basis to ensure that current investments remain consistent with stated objectives. Significant changes in the market, as well as any changes in a client's financial circumstances that have been communicated to SlateStone, may also trigger a more frequent review of client portfolios. Furthermore, client accounts are reviewed when a major event or shift in market conditions are expected to impact portfolios or holdings. Importantly, SlateStone's Chief Compliance Officer will also conduct periodic reviews of client portfolios to determine the suitability of the strategy being employed and that it remains in line with client's stated objectives as detailed on the client's respective documents.

Financial planning and consulting services clients are reviewed by our financial planning team on an ongoing advisory basis and in accordance with the terms entered into with the client in our *Financial Planning and Consulting Agreement*. We may provide these clients with summaries of our analyses and related conclusions as well as special reports that we mutually agree are necessary. The frequency of these reviews will be determined with the client and their respective wealth advisor. We encourage our clients to discuss their needs, goals and objectives and keep us informed of any material changes.

## Item 14 Client Referrals and Other Compensation

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SlateStone has a policy that allows us to accept clients referred by affiliated and unaffiliated solicitors and to pay these solicitors a percentage of our collected investment advisory fees without any additional charge to the client. This arrangement is not exclusive between SlateStone and the solicitors and we may accept or reject any prospective client. We require each solicitor to disclose its relationship with SlateStone as well as our compensation arrangement in writing to the client and SlateStone complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

### TD Ameritrade's Institutional Advisor Program

As disclosed under item 12 above, SlateStone Wealth participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between SlateStone's participation in the program and the investment advice it gives to its clients, although SlateStone receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount); receipt of duplicate client statements and confirmations; research related products and tools, consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information/ access to mutual funds with no transaction fees and to certain institutional money managers; and compliance, marketing, research, technology, and practice management products or services



provided to SlateStone by TD Ameritrade and/or third party vendors without cost or at a discount. TD Ameritrade may also have paid for business consulting and professional services received by advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit advisor but may not benefit its client accounts. These products or services may assist advisor in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by SlateStone or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, SlateStone endeavors at all times to put the interest of its clients first. Clients should be aware, however, that the receipt of economic benefits by SlateStone or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SlateStone's choice of TD Ameritrade for custody and brokerage services.

SlateStone may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, SlateStone may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

SlateStone's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors

that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### Other Compensation

SlateStone also compensates some of its employees, whereby the employee, upon bringing a new client to the firm, receives a portion of the fees paid to SlateStone by the client. These practices present a potential conflict of interest for SlateStone because an incentive may exist to recommend services and products based upon compensation rather than client needs. As a fiduciary, SlateStone is required to act solely in the best interest of its clients. SlateStone continuously seeks to address these conflicts through disclosures to its clients and through internal policies and procedures that require all investment advice to be suitable for advisory clients based upon the information provided by the client.

## Item 15 Custody

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SlateStone Wealth does not maintain direct custody or possession of client funds or securities; they are held at unaffiliated and qualified custodians.

## Item 16 Investment Discretion

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SlateStone accepts discretionary authority to manage securities accounts on behalf of clients. This authority is granted to SlateStone through the execution of an *Investment Management Agreement* "IMA" between the Client and SlateStone. SlateStone will not commence management of an account without receiving a properly executed Agreement from the client. Clients must also advise SlateStone of their investment objectives for the account, any changes or modifications to those objectives, as well as, any reasonable restrictions on their accounts such as specific investment selections and sectors. However, SlateStone may choose not to advise a client whose investment objectives or

restrictions may be considered incompatible with our investment philosophy or approach.

If at any time, a client considers any investment recommended and made for the account to violate such objectives or restrictions, the client should promptly inform SlateStone in writing. A client reserves the right to notify SlateStone when not to invest funds in the client account, or in any specific securities or categories of securities.

SlateStone also provides on-going advice and guidance for financial planning and consulting services on a non-discretionary basis. This includes guidance on assets in qualified retirement plans that are self-directed by participants, and for private equity investments held by select clients.

### **Class Action Suits**

The client (or client's agent) will have the responsibility for class actions or bankruptcies, involving securities purchased for, or held in, the client's account. We will not be responsible for responding or forwarding to clients, any class action settlement offers relating to securities currently or previously held in client accounts. Separate account managers selected by us are not required to, but may, participate in class action settlements on behalf of clients for the assets under their management.

## **Item 17 Voting Client Securities**

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Unless specifically noted in writing, SlateStone will not vote client proxies. Clients wishing SlateStone to vote proxy are to notify SlateStone and notify their custodian in writing.

To accommodate those clients who wish us to vote their Proxy, SlateStone has engaged the firm Broadridge who will collect and vote client proxy.

SlateStone may, but is not required to, authorize external separate account managers to vote any proxies relating to the externally managed or sub-advised assets in accordance with the external separate account manager's proxy voting policy.

## **Item 18 Financial Information**

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This item is currently not applicable to SlateStone Wealth, LLC.