Firm Brochure
(Part 2A of Form ADV)
March 25, 2020

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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.

Item 1 Cover Page

SlateStone Wealth, LLC (SlateStone) 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. 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

This updating amendment to our Firm brochure (previously dated September 30, 2019) and brochure supplements, discloses the following:

SlateStone Wealth, LLC and SlateStone Private Client, LLC, consolidated their entire business operations into SlateStone Wealth, LLC (SlateStone) effective December 31, 2019. The combined entity ownership and control is unchanged as a result of this reorganization.

In addition to the consolidation we closed our New York and Texas satellite locations. These closures do not impact any of our clients.

A summary of any material changes to our brochure will be made annually, 90 days after our fiscal year end as required by the United States Securities and Exchange Commission. We will 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.

Item 3 Table of Contents

Item 4 Advisory Services

Description of Firm

SlateStone Wealth was established in 2017 as an independent registered investment adviser to offer personalized investment management services and comprehensive wealth and financial planning to high and ultra-high net worth individuals, families, trusts, estates, corporations and other business entities. SlateStone serves as a fiduciary to clients, as defined under applicable laws and regulations. As a fiduciary, we maintain the highest standard of loyalty, fairness and good faith toward each client and seek to mitigate potential conflicts of interest. Our fiduciary commitment is further described in our firm's Code of Ethics, please refer to Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

SlateStone is employee-owned, and our principal member/owners are SlateStone Group, LLC a domestic limited liability company owned by Patrick E. Tylander, Sharon A. Daniels and David Costigan. In addition, other primary employee members/owners of SlateStone Wealth include Eyal "Alan" Galinsky and Milagros "Millie" Kleiner as individuals. For additional information on the ownership please see Form ADV Part 1 at adviser.sec.gov.

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.

SlateStone is a limited liability company formed pursuant to Florida law. Corporate headquarters are in Jupiter, Florida and regional offices are in Boca Raton, FL, Weston, FL and Madison, WI.

Assets Under Management

As of December 31, 2019, the Firm had $1,028,033,310 in discretionary assets under management and $12,828,307 in assets under advisement or nondiscretionary.

Principal Partners

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.

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 interest first and these 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 will determine the 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. We seek 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 client's wealth 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 is 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 could impact the management of a client's financial plan and investment portfolio, we are equipped to address a lifetime of changing needs. Throughout the relationship, our advisors and investment team members 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 serves primarily high net worth and ultra-high net worth individuals and families who 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, and if appropriate, we will advise a client to 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 Services,* which are tailored for clients who have special circumstances or restrictions, we may employ other strategies for low cost basis stock holdings, options strategies, hedging and other risk management approaches.

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 could 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.

For higher net worth families who require complex and distinctive services, our *Private Client Enhanced* service is designed as a practical alternative to traditional asset allocation solutions. *Private Client Enhanced Program* is designed for individuals and families who require complex guidance and reporting, coordination of other financial professionals, and who qualify for access and introduction to direct investments and typically have greater than $3 million in investable assets, significant annual income, and net worth. Clients who meet standards and qualifications for this service typically will pay a flat annual fee rather than an asset-based fee. (For more information on fees for services refer to Item 5 Fees and Compensation.)

We provide in-depth guidance covering a comprehensive set of needs, from creating a full financial and investment plan to providing: 1) the coordination of all investments and risk management 2) managing and leveraging debt through appropriate lending solutions 3) defining estate goals and coordinating with key legal advisors in place or needed 4) consolidated reporting and administration of all assets whether managed by SlateStone or others. We also provide additional value by serving as an intermediary to facilitate and manage confidential connections between clients for specific business purposes with the goal of facilitating meaningful relationships and creating powerful synergies within the communities we and our clients live in.

The *Private Client Enhanced Program* encompasses the following:

- Investment Management, including overall asset allocation and security selection including sourcing, vetting and monitoring direct investment opportunities
- Consolidated reporting, including periodic global asset allocation summary, real estate, and income summary
- Review of insurance coverages, including homeowner's, auto, life and disability

- Business opportunities and other services, utilizing SlateStone's extensive connections to expedite the introduction and connection process between client, potential business partners and service providers
- Serves as intermediary to facilitate and mange confidential connections between clients and for specific business purposes
- Coordinates with legal advisors to review key legal documents already in place or needed

SlateStone's Investment Policy Committee identifies the big-picture global economic themes and specific investment vehicles it believes offer the best investment opportunities for its clients, assessing the geo-political landscape, direction of interest rates, prospects for inflation/deflation, among other factors, with the goal of identifying opportune investment themes and vehicles.

Based on our economic and market outlook, our research team performs in-depth research and analysis of individual equities, mutual funds, external managers and non-traditional investments including direct investments such as private equity, real estate, hard asset lending and venture capital. Our goal is to identify investments we believe will produce the greatest return, within certain risk parameters, to meet our clients' varied objectives.

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 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 will obtain from the Financial Planning client a questionnaire that will allow SlateStone to effectively create a financial plan for the client. 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).

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, where appropriate, we will 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.

In the event we provide both Financial Planning and Investment Management Services, and we charge a percentage of Assets Under Management Fee for our Investment Management Services there is a conflict of interest. A conflict would occur when the consideration to move money out of the investment management account to pay down debt would reduce the value of the assets under management, and thus, the fee that the firm earns. We mitigate this conflict, by recommending what is within the client's stated objectives and in the best interest of the client.

Whenever SlateStone makes a recommendation for the Financial Planning client to utilize the services of a third-party as mentioned above, SlateStone shall:

- Have a reasonable basis for the recommendation or engagement based on the person's reputation, experience, and qualifications.

- Disclose to the client, at the time of the recommendation or prior to the engagement, any arrangement by which someone who is not the client will compensate or provide some other material economic benefit to the CFP® professional, the CFP® professional's firm, or a related party for the recommendation or engagement.

- When engaging a person to provide services for a client, exercise reasonable care to protect the client's interests.

When selecting or using and recommending technology SlateStone shall document the due-diligence process which will include:

- Exercising reasonable care and judgment when selecting, using, or recommending any software, digital advice tool, or other technology while providing Professional Services to a Client.

- Having a reasonable level of understanding of the assumptions and outcomes of the technology employed.

- Having a reasonable basis for believing that the technology produces reliable, objective and appropriate outcomes.

The CFP® professionals of SlateStone will also review the complete CFP Board Code of Ethics and Standards of Conduct and the Practice Standards to ensure proper implementation within the firm.

Separately Managed Accounts or Subadvisors

In certain circumstances, and to meet overall client investment objectives, our internally managed solutions could be augmented with an investment strategy from an external, Separate Account Manager or Sub-Advisor, skilled in specialized management strategies (options, alternatives, real estate, structured notes, etc.).

SlateStone reviews a client's time horizon, objectives, tax situation, income and liquidity needs and recommends a portfolio asset allocation mix based on this criteria. 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 on a discretionary basis and 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 be granted discretionary trading authority and have day-to-day responsibility for the active management of the allocated assets. Prior to providing investment management services with external managers, the client will enter into a separate investment management agreement with SlateStone and with each Investment Manager recommended by SlateStone (this is a "dual contract arrangement"). The investment manager is contracted by the client, on the recommendation of SlateStone in accordance with the client's objectives, subject to any agreed upon restrictions.

In some circumstances, SlateStone, at its discretion, shall agree to enter into, or maintain a "single contract arrangement," whereby the client contracts directly with us as the advisor for investment management services and, in turn, SlateStone, pursuant to a sub-advisory agreement with the manager, obtains such investment management services on behalf of its client.

SlateStone receives no direct financial compensation from the investment managers it recommends. Investment managers may host educational seminars for the firm's clients. When SlateStone believes an investment manager is no longer suited to provide services to a client, we typically have the authority to terminate and replace that manager under our Investment Management Agreement with the client.

Sub-Advisory Engagements

SlateStone will serve as a sub-advisor to affiliated and unaffiliated registered investment advisors (referring advisor) according to the terms and conditions of a written Sub-Advisor Agreement. With respect to its sub-advisory services, the referring advisor that engages the firm's sub-advisory services maintains both the initial and ongoing day-to-day relationship with the underlying client and/or programs. In a sub-advisory relationship, the referring advisor is responsible for the recommendation and selection of SlateStone on behalf of the client and has the ability to remove the client's assets from SlateStone's sub-advisory management at their discretion. SlateStone's sub-advisory services can also include acting solely in the capacity of a trade signal provider to assist the introducing advisor with the development and recommendation of appropriate investment opportunities in our Strategic Portfolio strategies or our Custom Portfolios for their separately managed client accounts.

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 will 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. Furthermore, SlateStone shall not be responsible for any implementation error (trading, etc.) that may 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 are outlined in Item 5 of this Brochure. SlateStone does grant exceptions to minimum requirements for pre-existing clients, related households or on a pre-approved basis only.

Real Estate-Related Investments

When appropriate, and in accordance with the client's objectives, SlateStone will recommend the use of one or more alternative or real estate limited partnership operators. For clients for whom such services are suitable, SlateStone will provide advice on alternate or real estate-related investments (e.g., mortgages, direct investments in real estate and investments in real estate funds). Services included within the scope of such advice include strategic research, due diligence, investment monitoring and reporting.

SlateStone has retained consultants to provide guidance and assistance with the due diligence on any direct investment including the real estate operators, real estate valuations and fee calculations for the real estate-related investments.

Held Away Assets

SlateStone provides additional services for accounts where it is not possible for the firm to enact trades through the standard custodial arrangements. These are primarily company retirement accounts, 529 plans and variable annuities. SlateStone will periodically discuss holdings in accounts and the overall investment objectives with clients who have these types of accounts to suggest adjustments to holdings, monitor the accounts and provide statements and performance reporting (where given access) on an ongoing basis.

Item 5 Fees and Compensation

The specific manner in which fees are charged is established in a client's written agreement. However, SlateStone's general fee structures are outlined below. 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 Private Client Enhanced Services, we charge a flat annual fee.
- 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:

Investment Advisory Services	Total Assets Under Management	Annual Advisory Fee as % of Total Assets
	On the first $2,000,000	1.25%
	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 The minimum annual fee is $10,000. These minimums can be waived or reduced at SlateStone's discretion.

529 College Savings Plans are charged an annual administrative services fee of $100.

Private Client Enhanced Program	Total Assets Under Management	Annual Fee
	On the first $2,500,000	$24,000
	On the next $2,500,000	$40,000
	Over $5,000,000	Negotiable

Investment Advisory Fees - Automatic Fee Deduction/Billing

The client shall authorize the deduction of investment advisory fee directly from their custodial account, which shall be directly remitted to SSW in compliance with regulatory procedures. In the limited event that SlateStone bills the client directly; payment is due upon receipt of invoice. The 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. SlateStone utilizes ICE Data Service, a global leading provider of pricing services to price client's holdings. The value may vary slightly due to some pricing differences, settlement date value verses trade date value, and the value of pending accrued interest. We do consider accrued interest as part of your account value.

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 client's account correctly.

In certain unique relationships, the terms for fees and billing periods differ from those described herein, 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 below).

SlateStone does not accept compensation from the sales of securities, nor share in commissions or transaction costs.

Cancellation Process, Accrued Fees & Refunds

A client can terminate an account or the full relationship at any time or 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.

A client in the *Private Client Enhanced Program* terminating their account prior to twelve months from inception, will have a minimum fee imposed of $10,000. 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, some purchases and sales of mutual funds will have no transaction fees. However, not all mutual funds are without 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. These fees are paid for directly by the client and SlateStone does not receive any portion of these types of fees.

External Account Manager Fees. If SlateStone engages an external independent investment manager to manage a portion of the client's assets, the client will 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.

Sub Advisory and Dual Contract Clients. Fee schedules for clients participating in sub-advisory or dual contract programs will 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. 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 could 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 participates in both types of programs – dual contract or single contract– and shall 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 are additional fees and expenses that could 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

We do not currently offer or manage accounts that pay performance-based compensation and therefore, we have no side-by-side management. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time, manages other accounts for which fees are assessed on a performance fee basis.

Item 7 Types of Clients

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. SlateStone will consider accepting 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 reserves the right to waive minimums at its sole discretion.

Employee benefit plans which select SlateStone to provide investment advisory services should be aware that the Employee Retirement Income Security Act of 1974 (ERISA) sets forth rules under which Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, SlateStone will be providing non-discretionary investment advice to the Plan Fiduciaries by recommending a suite of investments as choices among which Plan Participants may select. Also, to the extent that the Plan Fiduciaries retain SlateStone to act as an investment manager within the meaning of ERISA § (38), SlateStone will provide discretionary investment management services to the Plan.

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

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 use various financial databases and tools such as FactSet, Bloomberg Professional, Morningstar's Direct, NATIXIS, Value Line, Barron's, Briefing.com, Seeking Alpha, StockCharts.com, TFC-Charts.w2d.com, QuantumOnline.com, the Wall Street Journal, Morningstar, Thompson Reuters and Fund prospectuses. 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. The staff will also meet with outside portfolio managers, participate in conference calls and attend industry conferences. 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 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 has 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 can 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 could 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 could 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 could be utilized for SlateStone's clients.

Donor Advised Funds. SlateStone 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 could 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. A 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&P 500 Index).

Structured products could involve a high degree of risk and could be highly complex, but they could 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 could 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 could 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 could 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 asset allocation strategies and processes to manage client portfolios. These strategies could be combined, as appropriate, for each client's personal financial condition and investment objectives. SlateStone offers six 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 could 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, real estate, hard-asset and multi-asset. Some alternatives are liquid and others are illiquid (subject to accreditor investor qualifications).

Furthermore, the portfolios percentage asset allocation ranges (across cash, equities, fixed income alternatives) can 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, and where appropriate, structured notes will 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 can also 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 will invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account could be prevented from achieving its investment objective.

Equity-Related Securities and Instruments. The firm could 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 could report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies could 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 could do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies could be subject to more abrupt or erratic price movements and could 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 could differ significantly from the NAV during periods of market volatility, which could, 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 could 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 could have no way to dispose of such shares.

<u>Market Risk</u>. 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 could depend, to a great extent, upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments could 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.

<u>Volatility Risks.</u> 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.

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

<u>Event Risk</u>. 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 could become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities could be infrequently or thinly traded even under normal market conditions.

Political Risk. The events that occur in the home country of the foreign company could 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, could involve different types of risk and possibly greater levels or risk such as those listed below.

Leverage Risk. A derivative instrument or transaction could 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 could lose the benefit of the contract and could have difficulty reclaiming any collateral that an account could have deposited with the counterparty.

Lack of Correlation. The market value of a derivative position could correlate mperfectly 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 could 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 could 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 could 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 could also incur an increase in the frequency of trading and amount of transaction costs.

Real Estate Risk. Real Estate Investment Trust (REIT) share prices could decline because of adverse developments affecting the real estate industry and real property values. In general, real estate values can be affected by a variety of factors, including supply and demand for properties, the economic health of the country or different regions, and the strength of specific industries that rent properties.

Some of our investment strategies require that you maintain a margin account. Clients who purchase securities could pay for them in full or could 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.

Cybersecurity

The technology systems of SlateStone and its respective service providers could be vulnerable to inadvertent or deliberate interruption and consequent damage from technical or human sources. In addition to natural catastrophes, service/power outages, network or telecommunications failures, or security breaches, intrusion by unauthorized persons could result in damage, disruption and theft of data, including investor information. SlateStone has implemented cybersecurity procedures meant to address these risks. Nevertheless, given our fundamental dependence on technology, a cyberattack or similar technology disruption could have a material adverse impact on clients. Additionally, there are inherent limitations in cybersecurity policies, procedures and controls including the possibility that certain risks have not been identified. SlateStone has conducted limited due diligence and risk assessments of third-party providers. However, SlateStone is not able to control the cybersecurity plans, breach notifications, incident response plans and controls put in place by other service providers and/or the issuers in which the client invest. It is in the client's best interest to monitor all of his or her accounts on a regular basis and stay informed of cybersecurity best practices.

Item 9 Disciplinary Information

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

SlateStone Wealth 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.

SlateStone 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. Certain SlateStone employees 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.

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

SlateStone's highly customized, integrated approach to wealth management includes working closely with accounting, legal and insurance firms. We have 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.

SlateStone has received a substantial number of referrals from the public accounting firm, King & Lenson, LLC, "K&L". One of the partners of SlateStone, Terri King, CPA is a minority equity member of SlateStone 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 SlateStone. The K&L website is 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 SlateStone 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.

Certain SlateStone investment advisor representatives have insurance licenses in a separate capacity. When acting in a separate capacity, the investment advisor representative could 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 could choose to refer you to a non-affiliated, third-party licensed insurance agent to provide independent guidance and/or 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 also has custodial services agreements with independent, qualified custodians which will help pay for business consulting and professional services received by the Advisor's related persons. The products or services provided by our custodians could 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 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 could 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

SlateStone has adopted a Code of Ethics (the Code), which serves a number of purposes. First, the Code is designed to assist SlateStone in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, SlateStone owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with SlateStone (managers, officers, and employees) to act with honesty, good faith, and to deal fairly with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

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

The Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, SlateStone 's associated persons can invest in the same securities recommended to clients. Under its Code, SlateStone has adopted procedures designed to reduce or eliminate potential conflicts of interest. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting, and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

Overall, the Code of Ethics sets forth the standards of business conduct expected of the firm's supervised persons and reflects an adviser's fiduciary obligations to his or her clients. It also sets forth policies and procedures that are designed to reasonably ensure that persons subject to the Code of Ethics do not use any investment-related information about the firm's clients for personal gain or in a manner detrimental to the interests of the clients. The Code of Ethics is reasonably designed to prevent the unlawful use of material, non-public information by SlateStone or any of its Associated Persons. The Code of Ethics also requires that associated persons report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and private placements. SlateStone and its associated persons shall also comply with applicable laws and avoid conflicts with client transactions and at all times must put the best interest of the client ahead of their own.

Our Code of Ethics also provides that our employees are not allowed to 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 can 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

Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, SlateStone seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, SlateStone could use or recommend the use of brokers who do not charge the lowest available commission in recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination) and could be used in servicing any or all of SlateStone 's clients. Therefore, research services received is not solely used for the account for which the particular transaction was affected.

SSW has established brokerage arrangement with Charles Schwab & Co., Inc. (Schwab), Fidelity Brokerage Services (Fidelity) and TD Ameritrade. We will recommend that clients establish a brokerage account with one of these non-affiliated custodians. Although we may recommend that clients establish accounts at one of these custodians, it is ultimately the client's decision to custody assets with the custodians.

The Custodians' products and services that assist SlateStone in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of s fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

The Custodians also offer other services intended to help SlateStone manage and further develop its business enterprise. Some of these services include (i) technology, compliance, legal and business consulting (ii) publications and conferences on practice management and business succession (iii) access to employee benefits providers, human capital consultants, and insurance providers (iv) make available, arrange, and/or pay third-party vendors for the types of services rendered to SlateStone (v) discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SlateStone.

The Custodians also provide other benefits such as educational events or occasional business entertainment of SlateStone personnel. In evaluating whether to recommend that clients custody their assets at the Custodians, SlateStone takes into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodians, which could create a potential conflict of interest.

The firm will conduct, at least annually, a Best Execution Review which shall be summarized to include the overall effectiveness of the Brokers' overall performance for the clients of the firm.

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).

Although SlateStone recommends that clients establish accounts at these Custodians, it is ultimately the client's decision to custody assets with the Custodians. SlateStone is independently owned and operated and is not affiliated with these Custodians.

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

Research and other Soft Dollar Benefits

SlateStone will enter into a soft dollar agreement with Charles Schwab. Schwab Institutional pays third parties to provide SlateStone other products and services "soft dollar benefits" that benefit SlateStone but may not directly benefit its clients' accounts. Federal securities law provides a "safe harbor" which allows an investment adviser to pay more than the lowest available commission for brokerage and research services if it determines, in good faith, that the commission paid was reasonable in relation to the brokerage and research services provided.

Soft dollar benefits are given by brokers to investment management firms in return for the money manager's client transaction business. Client transaction business generates commissions for brokers. The brokers agree to use a portion of the client commissions to pay for certain products and services that the money manager designates, such as research reports and other products that assist with investment decision making. Soft dollar benefits are not limited to clients whose transactions have generated the benefit, although certain soft dollar allocations are connected to particular clients or groups of clients. Additionally, soft dollar benefits are not proportionally allocated to any accounts that generate different amounts of the soft dollar benefits.

SlateStone will obtain the following types of products and services from third parties through soft dollar arrangements with Schwab:

- Investment analysis software that assists with the calculation of performance and risk analytics, peer group analysis, style attribution, manager search, asset allocation and custom reporting, portfolio construction and optimization and Monte Carlo simulations.
- Software to facilitate trading and rebalancing of our clients' securities portfolios as well as enhance investment decisions by providing tax-efficiency information, style drift reports and sample model portfolio construction and analysis.
- Programs that provide access to the largest investment databases in the industry, collecting data directly from primary sources and running it through extensive checks for accuracy. This program also allows access to the industry's best bond information.
- Programs that provide due diligence information on third-party advisers and managers including but not limited to the Real Estate Operators. This is valuable

research information when recommending alternative operators for the clients of SlateStone.

When SlateStone uses client brokerage commissions (or markups or markdowns) to 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. Consequently, we have an incentive to select or recommend 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. We mitigate this risk by ensuring that we are executing orders based on the clients stated objectives.

Directed Brokerage

Clients can direct SlateStone to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation can result in certain costs or disadvantages to the client, either because the client could pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

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

By directing SlateStone to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with SlateStone that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

Investment Allocation and Trade Aggregation

The overriding principle governing SlateStone 's allocation and aggregation process is the fair and equitable treatment of all clients in the allocation of investment opportunities, the aggregation of client orders and resulting allocation of securities or transaction proceeds. The Investment Policy Committee and the firm's CCO monitors the trading allocation procedures on a regular basis, as does the firm's trader. SlateStone's trading department prioritizes the release of trading orders with respect to its advised separate accounts as follows:

1. Discretionary accounts that do not have restrictions
2. Accounts with restrictions that require manual intervention to process trades Restrictions include deviations due to specific cash needs or liquidity, tax-implications, security-restrictions, unsupervised holdings, etc.)
3. Accounts with directed brokerage arrangements (i.e., clients that choose to custody their assets outside of the Custodians)
4. Non-discretionary accounts that require a client's pre-approval of trades
5. Due to the sequence of placing trades for accounts, it is possible that accounts that are traded first receive more favorable pricing than accounts that are traded last

Trade Aggregation & Order Handling

As previously noted in our *Strategic Portfolio Managemen*t 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 block or aggregate orders with each custodian, resulting in several block trades in one security at one time. This practice could 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 would 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, do not always 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 could, but are not obligated to, block these orders to obtain best execution. Similar to the 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.

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

Employee Participation in Aggregated Trades.

The Firm has various strategies that, depending on suitability and client objectives, can be assigned to client accounts and also to related persons' accounts, who have engaged the Firm as an adviser. From time to time, these clients and related persons accounts will be rebalanced to account for changes in the strategy or to account for the change in ratio of assets that results from contributions and withdrawals of capital to or from the accounts. The purpose of these rebalancing transactions is to bring each account's exposure to a commonly held investment into line with the account's percentage of total assets under management. An account can be a purchaser or seller in such rebalancing transactions, and trades will be aggregated for all clients and related persons. If the entire block order is not filled, then the trader will allocate the fills on a pro rata basis with covered person accounts receiving no shares or units.

Trade Rotation

Generally, trades will be aggregated for each group of participating client accounts that share a common custodian. SlateStone places the orders for aggregated block trades through a rotation of the executing custodians so that no group is damaged or disadvantaged over time by the timing of the executions.

Agency Cross Transactions

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction (SEC Rule 206(3)-2(b)). Agency cross transactions typically arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. The Firm has no affiliated broker-dealer and accordingly, its policies and practices are that the firm does not engage in agency cross transactions.

Cross Transactions

A cross trade is a transaction between two accounts managed by the same investment adviser. Cross trades can be executed by an adviser either on a direct or indirect basis. In a direct cross transaction, securities are transferred from the account of one client to that of another client. In an indirect cross trade, purchase and sale orders for the same securities are placed for execution through an unaffiliated broker-dealer, usually with no or minimal commission expense. Section 206(3) of the Adviser's Act prohibits any adviser from engaging in, or effecting, an agency transaction with a client without disclosing in writing to the client, "before the completion of such transaction," the capacity in which the adviser is acting and obtaining the client's consent.

It is the Firm's policy to engage in cross trade transactions only in accordance with its fiduciary duty to seek to receive the best available execution on behalf of its clients. All cross trades must receive the prior written approval of the Firm's Chief Compliance Officer. The firm does not generally engage in cross transactions.

Client Participation in Transactions

In general, investment decisions for each account are made independently from those of other accounts and are made with specific reference to the circumstances and objectives of each account.

A particular account may or may not participate in any specific transaction or may receive allocations of securities or investments that differ from that provided to other accounts, based on a number of factors including, but not limited to, the trade rotation policy, previous transactions, account restrictions, account size, tax status, risk tolerance, cash, and liquidity. Although SlateStone generally will seek to be consistent in its investment approach for all accounts with the same or substantially similar investment objectives, strategies and restrictions, the act of purchasing, selling or holding a security for one account does not mean it will be purchased, sold or held for another account. SlateStone will transact for some accounts in securities already owned by other accounts. Due to differing market conditions and factors previously cited, SlateStone could purchase (or sell) a security on behalf of some accounts that SlateStone has sold (or purchased) on behalf of other accounts and could do so at varying prices.

Item 13 Review of Accounts

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 advisors, 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 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, could 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 could 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.

Diminished Capacity/Suspected Fraud

In the event the advisor believes the client is acting in a state of diminished capacity or suspects a third party is fraudulently directing the client in such a way that would financially harm the client, the advisor reserves the right not to transact an investment, withdrawal, or deposit. The advisor will then report the incident to the proper authorities. Clients are encouraged to designate a trusted contact that the advisor can contact on the client's behalf in case of diminished capacity or suspected fraud.

Item 14 Client Referrals and Other Compensation

As noted above, SlateStone receives an economic benefit from the Custodians in the form of support products and services it makes available to SlateStone and other independent investment advisors that have their clients maintain accounts at the Custodians. These products and services, how they benefit our firm, and the related conflicts of interest are described in Item 12-Brokerage Practices. The availability of the Custodians' products and services to SlateStone is based solely on our participation in the programs and not in the provision of any particular investment advice.

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 can 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.

Client Referral Arrangements

If a client is introduced to SlateStone by a solicitor, SlateStone will pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from SlateStone 's investment management fee or wealth management enhanced services fee and shall not result in any additional charge to the client. If the client is introduced to SlateStone by a solicitor, the solicitor, at the time of the solicitation, shall provide each prospective client with a copy of SlateStone's form ADV Brochure and a written disclosure statement disclosing the terms of the solicitation arrangement between SlateStone and the solicitor, including the compensation to be received by the solicitor from SlateStone. At least annually, the firm will review all the third-party referral arrangements.

SlateStone is also paid a referral fee by other advisers when it refers individuals and other entities to those advisers. Such referrals are provided when the individual or entity does not meet the minimums to become a SlateStone client, or SlateStone does not provide the type of services requested. The individual or entity is not charged an additional fee for the outside adviser's compensation to SlateStone.

Sub-Advisory Engagements.

SlateStone will serve as a sub-advisor to affiliated and unaffiliated registered investment advisors (referring advisor) according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the referring advisor that engages the Firm's sub-advisory services maintains both the initial and ongoing day-to-day relationship with the underlying client, and/or programs. In a sub-advisory relationship, the referring adviser is responsible for the recommendation and selection of SlateStone on behalf of the client and has the ability to remove the client's assets from SlateStone's sub-advisory management at their discretion. SlateStone's sub-advisory services can also include acting solely in the capacity of a trade signal provider to assist the introducing adviser with the development and recommendation of appropriate investment opportunities in our *Strategic Portfolio Strategies*, the *Customized Investment Management Portfolios* for their separately managed client accounts.

TD Ameritrade's Institutional Advisor Program

As disclosed under item 12 above, SSW participates in TD Ameritrade's institutional customer program, and where appropriate, will 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 fess 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 the 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 compensation structure for some of its wealth advisory employees is based upon the revenue generated by clients serviced by said advisor. This practice presents a potential conflict of interest for SlateStone because an incentive exists 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

SlateStone has established procedures to ensure all client funds and securities are held at an un-affiliated qualified custodian in a separate account for each client under that client's name. Account statements are delivered directly from the qualified custodian to each client at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from SlateStone. On occasion the reports can vary slightly from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. When clients have questions about their account statements, or do not receive an account statement, they should contact SlateStone or the custodian preparing the statement.

SlateStone is deemed to have custody not requiring an annual surprise audit due the nature of some Standing Letters of Authorization to move money for certain clients. In certain situations, SlateStone is authorized to change only the amount and frequency of money movements without the clients signed authorization. As long as we meet the seven criteria outlined by SEC an annual surprise audit is not required.

One of our advisory representatives is trustee on several accounts. Due to that relationship, we do have custody on several accounts and are required to undergo the surprise audit and file form ADV-E. We have arranged for this audit.

Item 16 Investment Discretion

SlateStone will accept clients on either a discretionary or non- discretionary basis. For discretionary accounts, a Limited Power of Attorney ("LPOA") is executed by the client, giving SlateStone the authority to carry out various activities in the account, generally including the following: trade execution, the ability to request checks on behalf of the client and the withdrawal of advisory fees directly from the account. SlateStone then directs investment of the client's portfolio using its discretionary authority. The client can limit the terms of the LPOA to the extent consistent with the client's Investment Management Agreement with SlateStone and the requirements of the client's custodian.

For non-discretionary accounts, the client also generally executes an LPOA, which allows SlateStone to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the Investment Management Agreement between SlateStone and the client, SlateStone does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients can limit the terms of the LPOA, subject to SlateStone 's agreement with the client and the requirements of the client's custodian.

Class Action Suits

A class action lawsuit is a lawsuit brought by one party on behalf of a group of shareholders all having the same grievance with a company in an effort to obtain a monetary compensation.

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 could, participate in class action settlements on behalf of clients for the assets under their management.

The Firm recognizes that as a fiduciary it has a duty to act with the highest obligation of good faith, loyalty, fair dealing and due care. When a recovery is achieved in a class action, investors who owned shares in the company subject to the action have the option to either (1) opt out of the class action and pursue their own remedy or (2) participate in the recovery achieved via the class action. Collecting the recovery involves the completion of a Proof of Claim form which is submitted to the Claims Administrator. After the Claims Administrator receives all Proof of Claims, it dispenses the money from the settlement fund to those persons and entities with valid claims.

If "Class Action" documents are received by the Firm for a client, the Firm will gather any pertinent information it has and forward to the client, to enable the client to file the "Class Action" at the client's discretion. The decision of whether to participate in the recovery, or opt-out, may be a legal one that the Firm is not qualified to make for the client. Therefore, the Firm generally will not file "Class Actions" on behalf of any client. The Adviser is not responsible for processing, documenting, or monitoring class actions on behalf of the client. However, if requested and as a courtesy to the Client, the firm may assist in preparing the paperwork to file the class action.

Item 17 Voting Client Securities

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.

For various reasons the firm could have been instructed to vote proxies on behalf of the client. 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 will ensure that Broadridge follows the proxy voting guidelines listed below. SlateStone could, 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.

Where authorized to vote proxies, the client will instruct the custodian, generally on the custodian's account opening documents, to send the copies of all proxy communications relating to the client's investment assets to Broadridge on behalf of the firm. The client will be able to receive duplicate informational communications. In situations where the firm votes proxies, the firm, through Broadridge will maintain policies and procedures in writing that will reasonably ensure:

- The adviser votes in the best interest of the clients
- Material conflicts between the firm's interests and those of its clients with respect to proxy voting will not harm the client
- Disclosure of how the client can obtain the voting information
- Maintenance of records on how the Proxies were voted

If the firm, through Broadridge, does vote proxies the following guidelines will be followed:

- SSW will vote proxies in a timely manner.
- SSW will maintain records of each proxy vote, by client, and will adhere to the SEC's five-year record retention requirements governing proxy voting.
- In order to satisfy its fiduciary duty by casting proxy votes consistent with the best interests of its clients, client interests will always take precedence over SlateStone's interests.
- Routine matters: it is the general policy of SlateStone to vote in the best interest of the client
- Non-recurring matters: generally, best practices for corporate governance and protection of shareholder's authority will be accepted. Generally, value dilution and reduction of shareholders' power or interests will be rejected.

If a client has a proxy-voting policy and instructs us to follow it, we will comply with that policy except when doing so would be contrary to the client's economic interest or otherwise imprudent or unlawful. As a fiduciary to ERISA plans, we are required to discharge our duties in accordance with the documents governing the plan (insofar as they are consistent with ERISA), including statements of proxy voting policy. We will, to the extent possible, comply with each client's proxy voting policy.

Client Requests for Information

Clients can contact SlateStone to obtain, free of charge, a copy of it 's proxy voting policy and/or information with respect to specific proxy votes. In response to any request, the firm's Chief Compliance Officer, or nominee, will prepare a written response to the client with the information requested, and will include the name of the issuer, the proposal voted upon, and how SlateStone voted the client's proxy with respect to each proposal.

Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. SlateStone has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.