



**ALAPOCAS INVESTMENT PARTNERS, INC.**

50 Dunham Ridge  
Suite 3100  
Beverly, MA 01915  
(781) 376-2015  
[www.alapocasip.com](http://www.alapocasip.com)

**March 29, 2022**

**PART 2A OF FORM ADV**

**FIRM BROCHURE**

**This Form ADV Part 2A brochure (the “Brochure”) provides information about the qualifications and business practices of Alapocas Investment Partners, Inc. (“AIP” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer of Alapocas Investment Partners at the number listed above or via email at [dlemons@alapocasip.com](mailto:dlemons@alapocasip.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment adviser does not imply a particular level of skill or training in the investment advisory business or any other business.**

**Additional information about AIP will be available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2 - MATERIAL CHANGES**

We have not made any material changes to our Brochure since our last annual updating amendment dated March 30, 2021.

**ITEM 3 – TABLE OF CONTENTS**

ITEM 2 – MATERIAL CHANGES ..... 2

ITEM 3 – TABLE OF CONTENTS ..... 3

ITEM 4 – ADVISORY BUSINESS ..... 4

ITEM 5 – FEES AND COMPENSATION ..... 5

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT ..... 7

ITEM 7 – TYPES OF CLIENTS ..... 8

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS..... 9

ITEM 9 – DISCIPLINARY INFORMATION..... 14

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS..... 15

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND  
PERSONAL TRADING ..... 16

ITEM 12 – BROKERAGE PRACTICES..... 17

ITEM 13 – REVIEW OF ACCOUNTS ..... 22

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION ..... 23

ITEM 15 – CUSTODY..... 24

ITEM 16 – INVESTMENT DISCRETION ..... 25

ITEM 17 – VOTING CLIENT SECURITIES ..... 26

ITEM 18 – FINANCIAL INFORMATION..... 27

#### **ITEM 4 – ADVISORY BUSINESS**

Alapocas Investment Partners, Inc. is a Massachusetts corporation formed in February 2019. AIP provides investment advisory services to individuals, high net worth individuals, charitable organizations, corporations, profit sharing plan, trusts (including pooled investment trusts), and other entities. David W. Lemons is the principal owner of AIP and the principal investment professional of AIP (the “Principal”).

The Adviser primarily offers discretionary investment management services that are customized to meet client’s objectives and comprehensive in nature. However, in certain circumstances, the Adviser will offer non-discretionary advisory services consisting of investment recommendation and arranging or effecting the purchase or sale of securities either directly or through a third-party manager, if the recommendation is accepted by the Client. On a case-by-case basis, AIP is willing to work with clients who request specific restrictions on their accounts.

The Adviser provides customized and comprehensive investment management services on a regular and continual basis to its advisory clients. These services include the design and execution of an appropriate investment strategy and the research and selection of equity (including exchange traded funds), fixed income, mutual fund, and cash reserve instruments. AIP may adjust the overall strategy based on client discussions or perhaps due to shifting fundamental conditions within local and global markets. The client’s tax situation and estate planning considerations may also be contemplated when designing or amending an investment strategy.

AIP manages clients’ portfolios after reviewing and creating an investment strategy based on the client’s personal data, investment goals, and risk tolerance. After the initial objectives and any restrictions are identified, the Adviser will decide on the appropriate strategies and tactics most likely to achieve these objectives.

As of December 31, 2021, AIP advises on \$408,166,773 in assets, including \$170,448,450 in assets under its discretionary management, and \$237,718,323 in assets to which AIP serves as adviser.

## **ITEM 5 – FEES AND COMPENSATION**

Clients are required to sign a written investment management agreement, which can be terminated without penalty at any time. Client accounts are generally subject to an investment management fee based on a percentage of assets under management that is currently ranging up to 1% dependent upon the client's relationship with the Adviser and the strategy employed. Fees and specifics regarding the billing frequency and method of calculation will be clearly delineated in all client agreements. Clients may be billed quarterly either in advance or in arrears based on the methodology described in the client agreement. Fees may be negotiated or modified in the Adviser's sole discretion in light of a client's special circumstances, such as asset levels, service requirements, or other factors. The Adviser may agree to offer a client a fee schedule that is lower than that of any other comparable clients in the same investment style. For comparable services, other investment advisers may charge higher or lower fees than those charged by AIP.

Clients generally authorize AIP through custodial paperwork to deduct management fees directly from each account or accounts. When authorized, AIP may deduct fees from one account on behalf of other accounts in the relationship.

### **Termination**

A client agreement may be canceled at any time, by either party but must be promptly followed up in writing if termination is oral. The termination will be effective at the close of business on the day notice was received. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

In the event a client decides to terminate his or her relationship with AIP, and for those clients that pay advisory fees in advance, the Adviser will refund a portion of the investment management fee that reflects periods in which those services were not yet provided. Clients may direct in what form or manner they would like their refund. In the event a client who pays in arrears terminates their relationship, the Adviser will bill the client account for the partial period in which those services were rendered. Clients always have the right to terminate their agreement without penalty at any time.

### **Additional Fees and Expenses Payable by the Client**

AIP's fees neither include fees for brokerage commissions, custodial fees, and clearing costs, nor include any additional management fees or other fees that may be charged by the underlying investments selected for the client portfolios, e.g., mutual fund advisory and distribution fees. Execution of client transactions typically requires payment of brokerage commissions by clients. Mutual funds and exchange traded funds also charge internal

management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Adviser's fee. AIP do not receive any portion of these commissions, fees, and costs. Please refer to Item 12 "Brokerage Practices", which further describes the factors that AIP considers in recommending broker/dealers for the execution of transactions.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Alapocas Investment Partners does not charge performance-based fees (fees based on a portion of capital gains or on capital appreciation of assets invested).

AIP does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its clients. The Adviser has implemented trade allocation policies and procedures designed to ensure that trades are allocated fairly and equitably over time and to prevent this conflict from influencing the allocation of investment opportunities among clients. Item 12 “Brokerage Practices” provides further information regarding trade allocation practices.

## **ITEM 7 – TYPES OF CLIENTS**

AIP primarily provides customized investment management services to individuals, high net worth individuals, charitable organizations, corporations, trusts including pooled investment trusts, and other entities. AIP generally does not impose a minimum account size for establishing a relationship.



## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

Alapocas Investment Partners (AIP) seeks to compound invested capital by investing in a limited number of high-quality businesses that we know well and that we intend to own for a long time. A substantial majority of the assets we invest for clients are committed to the common shares of these individual companies. A suitable description of the method we use to analyze investment opportunities is “organized common sense.”

We view each equity holding as a share in the ownership of an operating business. Therefore, we analyze companies as a businessperson might look at a potential long-term investment. Fundamentally, we believe that what a business produces, in earnings, drives stock prices over the long haul. To evaluate the underlying value of a company, we generally look at three key business-specific factors: a) profit margins, and how long they may be sustained; b) the magnitude and durability of a company's earnings, as far into the future as is reasonable to estimate; and c) the quality and capabilities of management in redeploying capital into profitable ventures, such as expanding existing operations, making accretive acquisitions, buying back shares, or paying (or growing) dividends.

Supported by an in-depth, historical review of a company's reported financial statements (e.g., its income statement, balance sheet, statement of cash flows, and proxy materials), as well as other regulatory filings, we seek to gain historical perspective and to identify and understand its value drivers. In particular, we are keen to develop an understanding of the target company's strategic position within its industry and marketplace. To arrive at an investment decision about an investment opportunity, we supplement this fundamental research with analysis and materials derived from other sources, including financial media companies, third-party research materials, interviews with company management and practitioners within the same industry, internet content, and ongoing review of company operations and business activities. We will only act on our research and analysis when we have a high level of confidence in a company's long-term business prospects.

### *Idea Generation*

Using Michael Porter's Five Forces analysis as a framework, we examine internal and external threats as well as horizontal and vertical competition to assess the relative attractiveness of a particular industry. Then, when evaluating specific companies within that industry, we generally apply three lenses to predict the quality of earnings growth and assign an intrinsic value to a company's shares: (i) economic/business insight, which helps us identify when stocks become cheap relative to their inherent value; (ii) franchise, which represents an irreplaceable advantage over would-be competitors; and (iii) valuation, which includes

discounting a company's growth prospects by our assessment of certain idiosyncratic risk factors. This process leads us to a valuation *range* that is reasonable for a company and, by extension, what price per share that would represent a significant margin of safety .

### *Stock Selection*

The questions that most concern us as investors are: Will the company make money well into the future, and can we buy it at a meaningful margin of safety today? The AIP security selection process seeks to minimize two key risks that surround these two questions: eroding earnings due to industry-, sector-, or company-specific headwinds (Business Risk), and/or paying too high a price going into an investment (Price Risk).

Fundamental analysis prioritizes economic and business indicators as investment selection criteria. These criteria are generally ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. However, rather than rely on consensus earnings estimates, which in our view can be easily manipulated, we dive deeply into income statements and balance sheets, as well as regulatory and legal findings. These are the important markers that help us gain an historical perspective on management's ability to drive return on invested capital (ROIC) — one important financial measure of quality, among others. We use internal and external resources, including industry contacts and a globally deep professional network to understand a company's strategic position. Next, we evaluate the sources and durability of future cash flows, with weight given to companies that demonstrate growth in unit sales and profitability. To reduce the possibility of misreads, we revisit our assumptions regarding earnings history, management quality, and competitors. Finally, we employ discounted cash flow (DCF) analysis to arrive at valuation, comparing metrics to peers, market, and history to establish fundamental fair value and a target stock price range.

### **Investment Strategies**

Prior to investing a client's account, AIP undertakes a thorough discussion with clients to understand their particular situation and to explore with them the potential benefits of diversification among asset classes (e.g., stocks, bonds, and cash reserves). Based on an evaluation of a number of client-specific factors, such as time horizon, liquidity needs, and risk tolerance, a client's portfolio may be best positioned with both stock and bond assets (which may comprise individual securities and/or mutual funds, exchange traded funds or ETFs, and cash reserve securities). In some circumstances, a client may be best served with a single asset-class portfolio — supported with an appropriate level of cash reserves.

AIP may employ the services of third-party fixed income brokers to build the bond allocation of a diversified portfolio. In addition to transactional services, these firms may also provide

assistance with ongoing monitoring of the credit quality and call features of individual securities, among other support. We have an obligation to seek “best execution” as part of our fiduciary duties, and thus, we evaluate the total benefit of using these brokers for fixed income purchases in relation to the cost of bond purchases without such ongoing support. AIP has no contractual requirement to use these brokers and may use one or several brokers to optimize the construction of bond allocations.

We seek to create portfolios that are comprehensive and customized in nature, and appropriate based on each client’s needs. We are also pleased to create customized portfolios designed to accomplish a more tailored goal, directed by the client, where the client’s overall assets may be diversified in ways beyond AIP’s discretion.

## **Risks**

An investment in any security involves a certain degree of risk. Securities may fluctuate in value or lose all value. Clients should be prepared to bear the potential risk of loss. The risks involved with AIP’s investment strategy include, but are not limited to:

Market Conditions – the prices of, and the income generated by, the securities owned by clients may decline due to market conditions and other factors, including those directly involving the issuers of the securities held by clients.

Volatility Risk – security values may fluctuate up or down based on market conditions, political events, changes in the economy, company changes, and other factors.

Security Selection – the identification of securities representing high-quality businesses and management teams is a difficult task, and there are no assurances that such opportunities will be successfully recognized over the long term. While such investments offer opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses.

Inaccurate or Incorrect Public Information – AIP may rely on information that turns out to be wrong. The Adviser selects investments based, in part, on information provided by issuers to regulators or made directly available to AIP by the issuers or other sources. The Adviser is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

Margin – the Adviser does not recommend clients utilize margin as part of their investment strategy. However, clients may open margin accounts and choose to create margin balances by withdrawing cash. Clients should be aware of the costs of margin interest and risks involved which include permitting the broker-dealer to force the sale of securities if account

equity requirements are not met.

Fixed Income Risk – Bonds can provide a means of preserving capital and earning a predictable return. Bond investments may provide steady streams of income from interest payments prior to maturity. However, as with any investment, bonds have risks. These risks include:

- ***Inflation Risk*** - Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.
- ***Interest Rate Risk*** - Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower rate, you might have to sell it at a discount.
- ***Liquidity Risk*** - This refers to the risk that investors will not find a market for the bond, potentially preventing them from buying or selling when they want or preventing them from receiving a favorable execution price.
- ***Call Risk*** – Certain bonds are callable, giving the bond issuer the ability to retire a bond before its maturity date. This is something an issuer might do if interest rates decline, much like a homeowner might refinance a mortgage to benefit from lower interest rates.

Foreign Securities Risk - International or foreign investment returns may move in a different direction, or at a different pace, than U.S. investment returns. As a result, including exposure to both domestic and foreign securities in a portfolio may reduce the risk that an investor will lose money if there is a drop in U.S. investment returns and a portfolio's overall investment returns over time may have less volatility. Keep in mind, though, that this is not always true and that with globalization, markets are increasingly intertwined across borders. While investing in any security requires careful consideration, international investing raises some special issues and risks. These include:

- ***Access to different information:*** In some jurisdictions, the information provided by foreign companies is different from the information provided by U.S. companies,
- ***Costs of international investments:*** International investing can be more expensive than investing in U.S. companies,
- ***Changes in currency exchange rates and currency controls:*** A foreign investment also has foreign currency exchange risk. When the exchange rate between the foreign

currency and the U.S. dollar changes, it can increase or reduce an investment return in a foreign security,

- **Political, economic, and social events:** Depending on the country or region, it can be more difficult for investors to obtain information about and comprehensively analyze all the political, economic, and social factors that influence a particular foreign market,
- **Different levels of liquidity:** Some foreign markets may have lower trading volumes for securities, or fewer listed companies than U.S. markets,
- **Legal remedies:** The jurisdiction in which investors purchase a security can affect whether they have, and where they can pursue legal remedies against a foreign company or any other foreign-based entities involved in a transaction, and
- **Different market operations:** Foreign markets may operate differently from the major U.S. trading markets. For example, there may be different time periods for clearance and settlement of securities transactions.

***There can be no assurance that clients will achieve their investment objectives or that the investment strategies employed by Alapocas Investment Partners will be successful. Investing in securities involves a risk of loss the investors should be prepared to bear.***

## **ITEM 9 - DISCIPLINARY INFORMATION**

AIP and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AIP is an independent registered investment adviser. The Adviser is not affiliated with 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 investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Consistent with the requirements of Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), AIP has adopted a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of all of the Adviser’s “Access Persons” (as such term is defined in the Advisers Act) and addresses conflicts that arise from personal trading. The standard of business conduct set forth in the Code takes into account AIP’s status as a fiduciary and requires the Adviser’s Access Persons act in the client’s best interest. A copy of the Code will be provided to any investor or prospective investor upon request to the firm’s Chief Compliance Officer at [dlemons@alapocasip.com](mailto:dlemons@alapocasip.com).

AIP also require that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. In addition, the Adviser prohibits employees from receiving gifts if it is believed that the gift may affect the advice that is being provided to clients.

This Code is designed to ensure that Access Persons are placing client interests before their own. Access Persons who trade in covered securities, such as individual stocks or ETFs, are required to disclose their holding annually and their transactions on a quarterly basis for review. The Chief Compliance Officer will then review such holdings and transactions to make sure that any trades do not conflict with those of the Adviser’s clients. A member of the Adviser will review the Chief Compliance Officer’s trading.

The core principle of the Code is that no Access Persons shall prefer his or her own interest to that of an advisory client. It is designed to assure that the personal securities transactions, activities, and interests of the Access Persons will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing Access Persons to invest for their own accounts. It is possible that Access Persons may be investing in the same securities as one or more clients. The Code allows such transactions so long as the clients’ interests always come first.

The Adviser’s practice is to prohibit Access Persons and Access Person-related accounts from participating in block trades in the same securities as clients on the same day.



## **ITEM 12 – BROKERAGE PRACTICES**

AIP generally requires written authority from clients to determine which securities are bought or sold and the amounts thereof. In this written authority statement, all limitations on the discretionary authority, if any, shall be defined. Clients may retain the right to vote securities, can withdraw securities and/or cash at any time, and may impose restrictions on the purchase and/or sale of securities, industries, sectors, and asset classes.

AIP recommends that clients utilize Charles Schwab or Fidelity for brokerage and/or custodial services. These broker-dealers provide research (including proprietary and third party) and other services described below (See “Services That Benefit You” and “Services That May Not Directly Benefit You” below). These products and services other than execution are considered “soft dollar benefits”. These services benefit AIP because client brokerage commissions (or markups and markdowns) pay for this research and other services, and therefore AIP does not have to pay for them separately. This creates a conflict of interest because AIP has an incentive to select these brokers over other brokers who do not provide the same benefits. Other brokers may provide lower commissions. By recommending that clients utilize one of these custodians, the Adviser may be unable to achieve the most favorable execution.

AIP is not affiliated with the above-mentioned broker-dealers and does not direct any client toward one broker-dealer over another based on any soft dollar benefit. In addition, AIP does not receive client referrals from these broker-dealers. The Adviser recommends them as choices for clients based upon previous experience with these firms and on the value of the services and/or research provided by these firms. Occasionally, on an exception basis, AIP may provide services to clients maintaining accounts with other custodians. When clients direct the Adviser to utilize a different broker-dealer, AIP may not be able to achieve the most favorable execution for transactions. Clients may pay higher brokerage commissions and the firm will not be able to aggregate orders to reduce transaction costs. AIP will engage in “block trading” where possible and when advantageous to clients. This means that AIP may purchase a large block of shares and then allocate those shares among the clients. Regarding aggregated “block trades,” the Adviser operates so that no advisory account will be favored over any other account participating in the aggregated order. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared based on their participation in the trade within the same group of clients at the same custodian. The Adviser will rotate the order of trades placed with each custodian.

It is the Adviser’s general policy not to affect any principal or agency cross securities transactions for client accounts. The Adviser will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have

occurred if a security is crossed between an affiliated hedge fund and another client account. 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. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### **Brokerage and Best Execution**

The Adviser will generally trade exclusively through a client's directed custodian for all trades. AIP generally recommends that clients utilize Charles Schwab or Fidelity as their custodian. The Adviser has evaluated these custodians/brokers and believes that they will provide clients with an appropriate blend of execution services, commission costs and customer service. AIP will generally trade through the client's custodian/broker regardless of whether a client has an active prime brokerage agreement in place allowing us to use outside brokers. As a result, it should be understood that AIP will likely not negotiate commissions or obtain volume discounts beyond those already offered by the custodian/broker. AIP thinks that given the additional costs of using outside brokers along with the recommended custodians' resources and commitment to providing appropriate execution that the Adviser is fulfilling the obligation to seek best execution by trading directly through them. In addition, AIP independently reviews the execution of the custodians on a periodic basis and also reviews their own internal documentation of their trading capabilities. Despite the general practice to trade through client custodians for equity trades, AIP will utilize outside brokers to effectuate some equity transactions and fixed income transactions for clients as appropriate and if it is in the client's best interest to do so. Prior to utilizing an outside broker, we will consider a range of factors, including:

- Broker's history of execution quality,
- Broker's experience within a particular niche (particularly in the case of odd-lot bonds),
- Competitiveness of commission rates and fees,
- Quality of services,
- Reputation, financial strength, and stability, and
- Prior service to us and our other clients.

While AIP has a reasonable belief that the custodians/brokers recommended can obtain best execution and competitive prices, the Adviser will not be independently seeking best execution price capability through other broker-dealers. If a client directs the Adviser to use another custodian/broker, the client will then generally have the responsibility for negotiating commission rates and other transaction costs with that custodian/broker. Often these rates are based on the client either using their electronic document delivery platform or maintaining a minimum account balance with the custodian. If you have questions about which custodian

may make the most sense given all the facts and circumstances of your situation, please contact us.

Although the clients may have selected a custodian/broker and AIP generally trades through their broker, AIP will not trade through the custodian/broker if there is a reasonable belief that better portfolio management services can be provided by utilizing a third-party broker offering additional services. For example, the Adviser may use an outside broker for fixed income transactions if it is believed to be in the client's best interests and if the client has executed a prime brokerage agreement.

While AIP is comfortable with the custodians utilized, clients should note that some differences may exist based on the client assets maintain at each. Clients may forego benefits that the Adviser may be able to obtain for other clients through, for example, negotiating volume discounts or block trades if assets are held at a smaller custodial relationship. This may come into play if the client is part of a smaller group at one custodian while AIP services a larger number of clients at a different custodian.

As discussed above, AIP recommends that clients use Charles Schwab or Fidelity. These are registered broker-dealers and members of SIPC. AIP is independently owned and operated and is not affiliated with either of them. The custodian will hold client assets in a brokerage account and buy and sell securities when instructed to. While the Adviser recommends that clients use one of the recommended custodian/brokers, clients will decide whether to do so and will open an account by entering into an account agreement directly with the custodian. AIP does not open the account for the client, although AIP may assist in doing so.

The Adviser seeks to select a custodian/broker who will hold the client's assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. AIP considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for the custody),
- Capability to execute, clear, and settle trades (buy and sell securities for your account),
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.),
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs),
- Availability of investment research and tools that assist us in making investment decisions,
- Quality of services,
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices,
- Reputation, financial strength, and stability,
- Prior service to us and our other clients, and

- Availability of other products and services that benefit us, as discussed below.

### **Products and Services Available to us from Custodians**

We recommend the following custodians: Fidelity Investments and Charles Schwab & Co. (both members of FINRA/SIPC). Fidelity Investments and Charles Schwab are independent and unaffiliated SEC registered broker-dealers. These firms provide our clients and us with access to its institutional brokerage, trading, custody, reporting, and related services—many of which are not typically available to their retail customers. They also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us as long as our clients collectively maintain a total minimum asset level.

### **Services That Benefit You**

Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products made available through the custodian and include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

### **Services That May Not Directly Benefit You**

The custodians also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both their own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the particular custodian providing the research. In addition to investment research, they also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements),
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts,
- Provide pricing and other market data,
- Facilitate payment of our fees from our clients' accounts,
- Assist with back-office functions, recordkeeping, and client reporting services that generally benefit only us,
- Educational conferences and events,
- Consulting on technology, compliance, legal, and business needs,
- Publications and conferences on practice management and business succession, and

- Access to employee benefits providers, human capital consultants, and insurance providers, discounting or waiving its fees for some of these services or paying all or a part of a third party's fees. They may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **ITEM 13 – REVIEW OF ACCOUNTS**

All investment positions are monitored on a regular basis by the Adviser. Accounts and portfolios, as a whole, are reviewed both prior to meetings and at least quarterly to ensure that they still meet suitability requirements. Clients receive periodic written reports from the Adviser, typically on an annual basis, or upon client request.

AIP may provide additional information to certain clients as requested.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

AIP does not currently maintain solicitor arrangements with outside firms or individuals, nor does AIP receive compensation for referring clients to other firms. If these relationships were established, agreements with the referring parties would be in writing and the arrangement would be disclosed to the clients.

## **ITEM 15 - CUSTODY**

AIP does not act as a qualified custodian nor accept physical custody of client funds or securities. However, in certain instances, we may be deemed to have custody if a client provides us discretion in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties. AIP will only accept a SLOA which specifically designates a third party name and account number and/or payee address.

Client assets will be held by an unaffiliated qualified custodian. Clients should receive account statements at least quarterly from their qualified custodian. Clients are urged to review their custody statement carefully and compare it to the statements or reports provided by the Adviser. Statements and reports provided by the Adviser may vary from custody statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. However, if you believe there is error or discrepancy between your custody statement and the report or statement provided by AIP, please contact us immediately.



## **ITEM 16 - INVESTMENT DISCRETION**

In accordance with the terms and conditions of the applicable investment management agreement, AIP has discretionary authority to manage investments on behalf of the client. Such discretion is exercised in a manner consistent with the stated investment objectives for the particular client's account(s).

When selecting securities and determining amounts, the Adviser reviews the financial objectives, limitations, and restrictions of the clients receiving the advice. A client always has the right to remove AIP's discretionary authority over their account.

## ITEM 17 – VOTING CLIENT SECURITIES

AIP votes client proxies only when such authority has been expressly delegated to the Adviser through the investment management agreement or other written authority. Absent specific voting guidelines from the client, the Adviser will vote proxies in the best interest of the clients and follow these guidelines:

- Vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on our voting authority in the same manner that they may place such restrictions on the actual selection of account securities,
- Generally, vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest raised by an auditor’s non-audit services,
- Generally, vote against proposals that cause board members to become entrenched or cause unequal voting rights, and
- In reviewing proposals, we will further consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer’s business practices.

AIP has adopted proxy voting procedures that are designed to ensure the firm has the authority to vote proxies with respect to securities held by a client and such proxies are voted in the client’s best interest to the extent reasonably practicable. The procedures also require that AIP identify and address conflicts of interest. If a material conflict of interest is identified, we will determine whether voting in accordance with the guidelines set forth in the procedures is in the best interest of the client or whether taking some other action may be more appropriate.

Clients may obtain a copy of our proxy voting policies and procedures and information on how we voted proxies by contacting David Lemons at 781-376-2015 or [dlemons@alapocasip.com](mailto:dlemons@alapocasip.com).

## **ITEM 18 – FINANCIAL INFORMATION**

AIP does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, the Adviser does not need to include a balance sheet with this brochure.

AIP is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

AIP has not been the subject of any such bankruptcy petition.