

**FORM ADV PART 2A | CLIENT BROCHURE****ITEM 1:  
COVER PAGE**

This brochure provides information about the qualifications and business practices of The Colony Group, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Vincent Gratch, by telephone at (617) 723-8200 or by email at [vgratch@thecolonygroup.com](mailto:vgratch@thecolonygroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Colony Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Colony Group's SEC number is 801-72862. In Florida, The Colony Group is registered to do business as The Colony Group of Florida, LLC.

Registration with the SEC does not imply a certain level of skill or training.

Version Date: April 22, 2020

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**THE COLONY GROUP, LLC**

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**ITEM 2:  
MATERIAL CHANGES**

This Item discusses only the material changes that have occurred since Colony's last annual update filed in March, 2019.

As explained in more detail in Item 4 below, On October 1, 2019, Colony and Harvest Capital Management Inc. ("Harvest"), an SEC-registered investment advisory firm in Concord, NH, merged advisory practices. Clients of Harvest were formally notified of the merger and assigned their advisory agreements to Colony.

As explained in more detail in Item 4 below, On October 1, 2019, Glass Malek, LLP ("Glass Malek"), a business management firm in Los Angeles, CA, merged its practice into Colony.

As explained in more detail in Item 4 below, On May 1, 2019, Colony and Steinberg Global Asset Management LTD ("Steinberg"), an SEC-registered investment advisory firm in Boca Raton, FL, merged advisory practices. Clients of Steinberg were formally notified of the merger and assigned their advisory agreements to Colony.

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**ITEM 4:  
ADVISORY BUSINESS**

**A. Description of the Advisory Firm**

The Colony Group, LLC (“Colony”) is a limited liability company organized in Delaware. Colony is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Colony is a successor to The Colony Group, LLC, a limited liability company organized in Massachusetts (SEC # 801-27451) (“Old Colony”), and The Colony Group of Naples, LLC, a limited liability company organized in Delaware (SEC # 801-67456) (“TCGN”). Effective October 1, 2011, clients of Old Colony and TCGN assigned their advisory agreements to Colony. Old Colony had been providing investment advisory services since 1986, while TCGN had been providing investment advisory services since 2007.

On October 1, 2019, Colony merged with Harvest Capital Management Inc. (“Harvest”) (SEC # 801-50107) (“Harvest”), a Concord, NH-based investment advisory firm founded in 1995. Harvest clients assigned their advisory agreements to Colony. Harvest has ceased doing business as an investment advisory firm and filed an ADV-W with the SEC.

On October 1, 2019, Glass Malek, LLP (“Glass Malek”), a full-service multifamily business management firm in Los Angeles, CA, merged its practice into Colony.

On May 1, 2019, Colony merged with Steinberg Global Asset Management LTD (SEC # 801-41473) (“Steinberg”), a Boca Raton, FL-based investment advisory firm founded in 1993. Steinberg clients assigned their advisory agreements to Colony. Steinberg has ceased doing business as an investment advisory firm and filed an ADV-W with the SEC.

On February 1, 2019, Colony merged with Aurora Financial Advisors, LLC (SEC # 801-100394) (“AFA”), a Wellesley-based investment advisory firm founded in 2002. AFA clients assigned their advisory agreements to Colony. AFA has ceased doing business as an investment advisory firm and filed an ADV-W with the SEC.

Colony merged with Blue Water Advisors, LLC (SEC # 801-80172) (“BWA”) on January 1, 2018.  
Colony merged with Bridgewater Wealth & Financial Management, LLC (SEC # 801-71137) (“Bridgewater”) on January 1, 2018.  
Colony merged with Jones Barclay Boston & Company (SEC # 801-46608) (“JBB”) on January 1, 2017.  
Colony merged with CapGroup Advisors, LLC (SEC # 801-66418) (“CapGroup”) on March 1, 2015.  
Colony merged with Prosper Advisors, LLC (SEC # 801-64486) (“Prosper”) on October 1, 2013.  
Colony merged with Mintz Levin Financial Advisors, LLC (SEC # 801-55976) (“MLFA”) on July 1, 2012.

On July 1, 2014, two principals of Long Wharf Investors Inc. (“Long Wharf”), a Boston-based investment advisory firm founded in 1995, joined Colony. Almost all of the clients of Long Wharf followed the principals and hired Colony as their investment advisor, executing advisory agreements effective July 1, 2014.

Focus Operating, LLC, Focus Financial Partners, LLC, and Focus Financial Partners Inc.

Colony is part of the Focus Financial Partners partnership. As such, Colony is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus Financial Partners, LLC (“Focus LLC”). Focus Financial Partners Inc. (“Focus Pubco”), a public company traded on the NASDAQ Global Select Market, is the sole managing member of Focus LLC and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Thus, Focus Pubco is a direct owner of Focus LLC and an indirect owner of the Focus Partner Firms. Focus Pubco has no single 25%-or-greater shareholder, and Focus LLC has no single 25%-or-greater member (other than Focus Pubco). However, investment vehicles affiliated with Stone Point Capital LLC collectively have a greater-than-25% voting interest in Focus Pubco. Such investment vehicles also collectively have a greater-than-25% voting interest in Focus LLC through their voting interest in Focus Pubco: As the sole managing member of Focus LLC, Focus Pubco has 100% voting control over Focus LLC, and thus such investment vehicles’ collectively greater-than-25% voting interest in Focus Pubco also gives them a collectively greater-than-25% voting interest in Focus LLC.

Focus LLC owns registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting, and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Focus LLC and Focus Pubco are principally owned by investment vehicles managed by Stone Point Capital LLC (“Stone Point”). Investment vehicles managed by Kohlberg Kravis Roberts & Co. L.P. (“KKR”) are minority owners of Focus LLC and Focus Pubco. Because Colony is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners of Colony.

Colony is managed by TCG Partners, LLC (“TCG Partners”) pursuant to a management agreement between TCG Partners and Focus LLC.

The following individuals comprise the Board of Managers of TCG Partners:

Michael J. Nathanson, JD, LLM  
Chairman & CEO

Robert J. Glovsky, JD, LLM, CFP  
Vice Chair & Senior Wealth Advisor

Stephen T. Sadler, JD, LLM  
Managing Director & Senior Wealth Advisor

Elisabeth L. Talbot, CFA, CPA  
Managing Director & Senior Wealth Advisor

## **B. Advisory Services**

Colony offers a suite of wealth management services to individuals, families, institutions, and businesses. These services include investment management, financial counseling, family office, and business management services. Colony also offers dispute resolution services. In addition, Colony provides investment consulting services for certain clients on accounts outside of Colony. Colony acknowledges that it is held to a fiduciary standard of care in the delivery and performance of its investment management and other advisory services. Colony also offers sub-advisory and related services to other advisory firms.

### *Investment Management Services*

Colony calls its approach to investment management “enhanced open architecture.” In designing and implementing customized strategies, Colony can manage, on a discretionary or nondiscretionary basis, a broad range of investment strategies and vehicles.

- Proprietary equity, fixed-income, and alternative strategies
- Mutual funds and exchange-traded fund strategies
- Alternative investments and other private offerings
- Third-party separate account managers

Colony provides investment management services to retirement plans under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) on either a discretionary or nondiscretionary basis, depending on the client. Colony acknowledges its status as an ERISA fiduciary under either ERISA 2(21) or 3(38), as applicable, when providing investment management services. Colony’s fiduciary services to ERISA Plans include preparing an investment policy statement, screening and selecting investment options for the plan, selecting a qualified default investment alternative, providing quarterly investment reports, attending the investment committee meetings, and, if the services are discretionary, creating and managing portfolios based on a range of varying target asset allocations. Colony’s non-fiduciary services to ERISA plans can include providing education regarding general investment principles and the investments options in the plan to plan participants.

### *Financial Counseling Services*

- Investment planning
- Retirement planning
- Tax planning
- Estate planning
- Cash flow planning
- Philanthropic planning
- Education planning
- Risk management
- Tax return preparation

### *Family Office Services*

- Strategy: tax planning, wealth accumulation, estate and wealth transfer, lifestyle planning
- Investment: portfolio strategy, manager selection, aggregation & coordination
- Legacy: family education, business & financial advice, philanthropy, fiduciary services
- Governance: tax compliance, risk management., regulatory support, cash management & recordkeeping, bill pay

### *Business Management Services*

- Monthly updates & reporting
- QuickBooks set up
- Signatory authority set up
- Interested party set up
- Bill pay and accounts receivable processing
- Budget and cash flow planning
- Tax compliance and planning

### *Dispute Resolution Services*

- Accounting – preparation of balance sheets and income statements
- Forensic Accounting – analysis of financial activity reported by the parties
- Income and Asset Division – asset and income division scenarios
- Tax – assess taxation impacts associated with income and/or asset division
- Valuation – oversee the valuation of all assets
- Disposition or Reallocation of Assets – provide options for the orderly disposition or reallocation of assets
- Risk Assessment – to protect long-term settlement structures
- Financial Impact – provide long-term projections of the likely impacts of settlement options

### *Investment Consulting Services*

Colony provides investment consulting services on a non-discretionary basis, which consist of reporting and review of assets held outside of Colony's management. Such services include the provision of consolidated reports and periodic meetings with clients to discuss their financial objectives, asset allocation, portfolio performance, and liquidity needs, among other things.

### *Sub-Advisory and Related Services to other Advisory Firms*

Colony may offer investment advisory services to other registered investment advisory firms and their clients. This include discretionary management and/or the provision of multiple asset class model portfolios that other advisors may use in managing investment accounts for their clients. Colony provides sub-advisory services to advisors of ERISA plans and acknowledges its fiduciary status under ERISA in such cases. Colony offers supplementary support services to other advisors, including: administrative assistance as it relates to the advisor-custodian relationship; access to portfolio accounting and reporting services; client questionnaires and investment policy statement templates; samples of advisory agreement templates; assistance with accessing investment offerings generally available only to clients of investment advisors; and collection and remittance of net fees to investment advisors.

### *Concierge Services*

Colony offers a distinct set of non-advisory services designed to address the needs and aspirations of our clients. These include health and wellness, cybersecurity, career development, and lifelong learning. Colony has selected and vetted unaffiliated third-party providers that it believes are best suited to offer clients the quality and professionalism they may need currently or at some time in the future. Where possible, Colony has arranged for the providers to offer preferential services or pricing for our clients. Colony receives no compensation from the service providers and no compensation from its clients that use the services of such providers.

## **C. Client-Tailored Advisory Services**

### *Investment Management Services*

Colony tailors its investment management services to the needs of its clients. Colony seeks to understand each client's goals, objectives, time horizon, risk tolerance, and tax position. The client and Colony then decide on an investment plan that may include the utilization of Colony's fixed-income, mutual fund, exchange-traded fund, and proprietary equity strategies; alternative investments and other private offerings; third-party separate account managers; and supervision of certain non-discretionary accounts and assets. With respect to accounts managed on a discretionary basis, a client is free to impose reasonable restrictions with respect to the management of his/her accounts.

### *Financial Counseling Services*

Each client's needs are different, and Colony seeks to tailor its financial counseling services to the specific needs of each client. Each financial counseling client is provided a wealth advisor whose role is to facilitate the provision of financial counseling services that are tailored to the client's unique circumstances.

### *Family Office Services*

Colony can help high net worth families manage their wealth across generations. It can guide a family through complex technical and family issues. It can organize and choreograph the intricate elements of a family's legacy by teaming with the family's other advisors to implement a wealth management strategy tailored to the family's unique needs and objectives. Through a dedicated team, a family can have the benefit of Colony's full array of wealth management services and access to many money managers and investment solutions.

## **D. Wrap Fee Programs**

Colony does not participate in or sponsor wrap fee programs.



**E. Regulatory Assets Under Management (RAUM)**

Colony has the following regulatory assets under management:

Discretionary RAUM	\$9,834,192,775
Non-Discretionary RAUM	\$1,717,266,492

Date Calculated: 12/31/19

**ITEM 5:  
FEES AND COMPENSATION**

**A. Fee Schedule for Advisory Services**

*Investment Management Services – Individuals and Families*

<b>Assets Under Management</b>	<b>Annual Fee</b>
First \$2,000,000	1.00%
Next \$3,000,000 or portion thereof	0.90%
Next \$5,000,000 or portion thereof	0.80%
Next \$20,000,000 or portion thereof	0.60%
Next \$20,000,000 or portion thereof	0.50%
Over \$50,000,000	negotiable

Fees for Colony’s investment management services are separate from and in addition to any transaction or similar fees/expenses and the fees/expenses charged by any custodian, broker, subadvisor, mutual fund, separate account manager, limited partnership, strategy consultant, or other advisor, as the case may be. For investment strategy consultants that Colony utilizes for certain of its equity strategies, Colony collects the fee on behalf of the consultant and pays such consultant directly.

Pursuant to Colony’s current standard agreement, an investment advisory agreement may be terminated at will upon 30 days’ written notice. Clients whose investment advisory agreements predate this policy in some cases have alternate provisions concerning termination of such agreements.

Colony reserves the right to negotiate investment management fee arrangements with prospective and existing clients. As Colony offers other advisory services, e.g., financial counseling, it has in some cases taken into account fees paid for such services when negotiating investment management fees with clients. Colony makes exceptions to its standard fee schedule on a case-by-case basis at its discretion.

Many investment management client relationships predated the implementation of Colony’s current fee schedule. For this reason, clients’ fees in many cases are higher or lower than those reflected in the foregoing schedule or be subject to additional or differing terms, such as a minimum fee. Moreover, many Colony clients originating from firms who merged into Colony (see Item 4A) will have fee schedules different than Colony’s standard fee schedule.

In some cases, depending on the needs and complexity of the client, Colony and the client execute an investment advisory agreement that includes the provision of a one-time financial plan (the “Financial Plan”). For Colony’s fees for ongoing financial counseling and/or tax compliance services, see below.

### *Investment Advisory Services – Institutional Clients*

<b>Assets Under Management</b>	<b>Annual Fee</b>
First \$5,000,000	0.50%
Next \$5,000,000 or portion thereof	0.40%
Next \$10,000,000 or portion thereof	0.30%
Next \$10,000,000 or portion thereof	0.10%
Above \$30,000,000	0.05%

Institutional clients are organizations that generally are serviced by our institutional practice and can include endowments, foundations, and retirement plans. Colony does not have a minimum account/relationship size for an institutional client, but an institutional client is subject to a minimum annual fee of \$15,000. Colony reserves the right to negotiate investment management fee arrangements with prospective and existing institutional clients. Colony makes exceptions to its standard fee schedule, including minimum annual fees, on a case-by-case basis at its discretion.

### *Financial Counseling Services*

A client's fee for financial counseling services generally depends upon the complexity of the engagement and scope of work. Prior to executing an advisory agreement for the provision of financial counseling services, the client and his/her advisor will discuss the nature of the work and decide on the annual fee. The scope of work will be outlined in the advisory agreement. A fee for services in subsequent years may change and will be determined based on the complexity of the engagement and scope of work. In all cases, fees for subsequent years will be agreed upon by Colony and the client.

### *Family Office Services*

A client's fee for family office services generally depends on the complexity of the engagement and scope of the work. Fees for family office services are either a flat annual fee or an hourly fee that ranges from \$95 to \$275 per hour required to perform the services.

### *Business Management Services*

Colony's business management services fees are based on the time required to perform the services, and hourly rates range from \$95 to \$275 per hour.

### *Investment Consulting Services*

Colony may charge an asset-based fee or a fixed fee for investment consulting services depending on the nature of the services to be provided, the size of the account, and the complexity of the reporting requirements. Fees are negotiable, but generally range from 0.10% to 0.25% per annum.

### *Tax Compliance Services*

Colony offers tax compliance services, including preparation of tax returns, to its individual clients who receive investment management and/or financial counseling services. The fee for tax compliance services generally depends on the complexity of the engagement and scope of work. In some cases, tax compliance services are included in a client's financial counseling or family office services fee.

### *Dispute Resolution Services*

Dispute resolution services fees are based on the time required to perform the services, and hourly rates are generally \$275 per hour. Time spent preparing expert testimony, testifying, or participating in settlement negotiations, is billed at \$345 per hour.

## **B. Payment of Fees**

### *Investment Management Services*

Except as provided below, for brokerage accounts that it manages on a discretionary basis, Colony deducts its investment management fee from a client's investment account(s) held at their custodian. Upon engaging Colony to manage such account(s), a client grants Colony this limited authority through a written instruction to the custodian of their account(s). The fee generally is billed in advance on a quarterly basis. A newly-managed account is charged a fee from the start date to the end of the quarter. The fee is based on the value of the account the day prior to the start date. Thereafter, the quarterly fee is based on the market value of the account on the last business day of the previous quarter. Generally, a net deposit to a managed account that exceeds 10% of the account's prior-day value will be charged an interim fee for the remainder of the quarter.

For investments in unaffiliated limited partnerships and similar private offerings for which Colony provides advice to clients, Colony charges an advisory fee pursuant to the client's fee schedule. For these investments, as well as other outside assets that Colony advises on, clients generally authorize Colony through a letter of authorization (LOA) to deduct its advisory fee from the client's brokerage account.

In all cases, the fee(s) and manner of payment which clients pay an unaffiliated limited partnership or other private offering will depend on the specific investment offering and will be disclosed to clients in each investment's offering documents. For accounts managed by Separate Account Managers (SAMs), Colony generally deducts its fee from such accounts. Each SAM generally deducts its management fee pursuant to its agreement and arrangement with the client.

Clients generally are required to have their investment management fees deducted from their accounts. In some cases, however, Colony will directly bill a client for investment management fees if it determines that such billing arrangement is appropriate given the circumstances.

As some of Colony's clients originated from the merging of advisory firms, some such clients have maintained their previous billing structure and terms, including rates, treatment of interim deposits, quarterly valuation dates, and whether billing occurs in advance or arrears.

### *Financial Counseling and Family Office Services (Annual Fees)*

A client may pay his/her annual financial counseling or family office fee quarterly or annually, at the client's option. If clients also have an investment management relationship with Colony, they in many cases instruct Colony to deduct such fees from his/her investment account.

### *Investment Consulting Services (Quarterly Fees)*

The fee generally is billed in advance on a quarterly basis. The fee is based on the value of the consulting assets the day prior to the start date. Thereafter, the quarterly fee is based on the market value of the consulting assets on the last business day of the previous quarter.

### *Family Office, Business Management, and Dispute Resolution Services (Hourly Fees)*

For services charged at an hourly rate, clients are sent monthly invoices detailing the hours spent in the previous month providing services and the applicable rates. Clients may authorize Colony to in writing to process payment to itself, and in such cases, Colony does not process payment until the client has approved the charges on the monthly invoice.

### *Tax Compliance Services*

If the fee for tax services is not included in a client's financial counseling or family office fee, the fee generally is directly billed to the client upon completion of the services, for example, upon the filing of a tax return. A client, may, in writing, grant Colony the authority to deduct the tax preparation fee from his/her investment account.

### **C. Clients Responsible for Custodial and Brokerage Fees**

In connection with Colony's management of an account, a client will incur fees and/or expenses separate from Colony's management fee. These additional fees include transaction charges and the fees/expenses charged by any custodian, broker, subadvisor, mutual fund, SAM, limited partnership, or other advisor, all as applicable. The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

### **D. Prepayment of Fees**

As noted in Item 5(B) above, investment management fees and investment consulting fees generally are paid in advance. Upon the termination of a client's investment advisory relationship, Colony will issue a refund equal to any unearned management fee or investment consulting fee for the remainder of the quarter. The client may specify how they would like such refund issued (i.e., a check sent directly to the client or a check sent to the client's custodian for deposit into their account).

### **E. Outside Compensation for the Sale of Securities to Clients**

Colony does not accept compensation for the sale of securities or other investment products.

## **ITEM 6: PERFORMANCE-BASED FEES**

Colony does not charge performance-based fees for its investment management services.

## **ITEM 7: TYPES OF CLIENTS**

### *Investment Management Services*

Colony provides investment management services to individuals, family offices, trusts, institutions, charitable foundations, and retirement/profit-sharing plans. Because it believes that diversification within portfolios is important, Colony prefers that accounts invested in certain of its investment strategies maintain a balance that will allow the portfolio manager to properly diversify the account. As a guideline, Colony prefers that equity or fixed income accounts for individual clients have a starting value of no less than \$500,000. In all cases, the client and his/her financial advisor will review the account(s) to be managed to determine the optimal account size for each.

The minimum account or asset size for an alternative investment, private offering, or third-party separate account varies depending on the manager, investment vehicle, and/or platform.

### *Financial Counseling, Investment Consulting, Disputes Resolution and Family Office Services*

Colony offers financial counseling, investment consulting, dispute resolution and family office services to individuals. Colony also offers financial counseling services to individuals through corporate-sponsored financial counseling relationships between Colony and the individuals' employer. Colony has corporate-sponsored relationships in place with several companies.

### *Business Management Services*

Colony provides its business management services to businesses, which are typically small businesses.

### *Dispute Resolution Services*

Colony provides dispute resolution services to individuals involved in a variety of types of situations, including divorce, family, and closely-held business disputes.

### *Tax Compliance Services*

Colony offers tax compliance services to individuals, trusts, and entities. Colony also offers tax compliance services to individuals through corporate-sponsored relationships between Colony and the individuals' employer. Colony has corporate-sponsored relationships in place with several companies.

### *Employee Seminars and Workshops*

From time-to-time Colony offers financial educational seminars to companies to help their employees learn about investing, benefits, taxes, retirement planning, education funding, equity incentive compensation, insurance, and estate planning. Colony can customize its seminars and workshops specifically for a company's benefits programs and employee needs.

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

Colony has an investment committee that includes principals, analysts, portfolio managers, and wealth advisors of the firm. Colony also has several investment sub-committees, including asset allocation, public market strategies, private strategies, proprietary equity strategies, and proprietary fixed income strategies. Sub-committees generally meet monthly and report to the investment committee, which generally meets on a quarterly basis. The investment committee is chaired by Colony's Chief Investment Officer.

### **A. Methods of Analysis and Risk of Loss**

#### *Asset Allocation*

- Colony engages a consultant to develop capital market assumptions (CMAs) for a variety of asset classes. The consultant provides forecasts for expected return, volatility, and correlations across a wide universe of asset classes.
- CMAs are input into efficient frontier asset allocation software. This software is used to help choose the firm's strategic allocations.
- Quantitative and qualitative factors are used to determine clients' tactical positioning relative to their strategic asset allocation. Colony measures factors such as valuation, growth, and relative price strength for most asset classes. Decision making is also informed by third-party research.

#### *Public Market Strategies and Private Strategies*

- Colony performs due diligence on a range of investment products, including, but not limited to, mutual funds, exchange-traded funds, separate account managers, exchange traded notes, limited partnerships, and structured notes.
- Quantitative analysis is used to measure a manager's risk-adjusted performance relative to an appropriate peer group. Colony looks at factors such as return, internal rate of return, volatility, upside and downside capture, Sharpe ratio, information ratio, semi-variance, drawdown, and others.
- Qualitative analysis focuses on a manager's process and philosophy. The goal of this analysis is to determine whether a strategy is able to generate superior risk-adjusted results and if these results are repeatable.

#### *Proprietary Strategies*

- Quantitative analysis is used to rank securities against a universe of peers. Colony engages a third-party quantitative research firm to assist with its quantitative analysis. The ranking system weights quantifiable data such as free cash flow, return on capital, dividend yield, earnings momentum, relative price movement, and other factors. Colony typically performs further fundamental analysis before purchasing a particular security for client accounts.
- Fundamental analysis is used to attempt to measure a security's intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. This method involves the analysis of factors that can affect a security's value, including macroeconomic factors, such as the overall economy and industry conditions, and company-specific factors, such as its financial condition, management, and competitive advantages.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and involve a high degree of risk.

## **B. Material Risks Involved**

1. A risk in using quantitative analysis is that the models may be based on assumptions that prove to be incorrect.
2. Risks associated with fundamental analysis include the potential inability to forecast future cash flow accurately or use appropriate discount rates to value securities.
3. With regard to the use of other managers, risks include the possibility of manager turnover, style drift, underperformance, size constraint, tax inefficiency, compliance, and fee changes. In addition, for alternative investments, private offerings, and certain other third-party managers, potential risk factors include lack of liquidity, lack of transparency, layering of fees, and other risks as identified by such managers in their disclosure documents.
4. With respect specifically to alternative investment vehicles recommended by Colony that charge performance fees, the possibility of receiving a performance-based fee may create an incentive for the manager to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement. Performance-based fees are disclosed in fund and investment offering documents.
5. For securities that Colony purchases and sells on behalf of clients, its analysis methods rely on the assumption that the companies whose securities it purchases and sells, the rating agencies and research firms that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While Colony is alert to indications that data may be incorrect, there is always a risk that an analysis may be compromised by inaccurate or misleading information.
6. The computer systems, networks and devices used by Colony and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.
7. In addition, investing in securities always involves a risk of loss that clients must be aware of and be willing to accept as a possible outcome of investing in securities.

## **C. Unusual Risks of Specific Securities**

Colony does not primarily or solely recommend a particular type of security, investment, or strategy. Generally, Colony designs a diversified portfolio of investments for its clients. In customizing an investment plan for a client, Colony considers the client's unique circumstances, objectives, risk tolerance, aspirations, personal preferences, future needs, and ongoing commitments.

Where appropriate, client may utilize interval funds in client portfolios. Interval funds are closed-end funds registered under the 1940 Act. Interval funds offer less liquidity to investors than open-end vehicles and therefore can invest in less-liquid assets. Generally, a percentage of shares in interval funds can be redeemed quarterly, however, due to the illiquid nature of the investment, interval funds may not be suitable for investors that have an immediate need for the money they've invested.

**ITEM 9:  
DISCIPLINARY INFORMATION**

Historically, neither Colony nor Old Colony has had any legal or disciplinary events to report in this section or on its ADV Part 1. Upon the merger of AFA into Colony on February 1, 2019, however, Colony was required to make its first disciplinary disclosure. Although the event in question did not occur at Colony and predated by more than a year the combination of AFA into Colony, the law requires that the disclosure “follow” AFA into Colony because an advisory firm is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s evaluation of the firm.

The Commonwealth of Massachusetts Securities Division (the “Division”) and Frederick T. Baird, Principal of AFA, executed a consent decree on June 27, 2017, based on the Division’s finding that Mr. Baird should have been registered as an investment advisor representative with the Division since 2012. Section 201(c) of Massachusetts General Laws Chapter 110A states that “it is unlawful for any person to transact business in this Commonwealth as an investment adviser or as an investment advisor representative unless he is so registered under this chapter.”

In the desire of all participants to settle the matter, and finding that the same was fair, reasonable, and in the public interest, the Secretary of the Commonwealth agreed to a Consent Order and allowed the registration of Mr. Baird as an investment adviser representative of AFA. Mr. Baird was required to pay the Division \$40,250, which represented a registration fee and fine.

**ITEM 10:  
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Registration as a Broker-Dealer or Broker-Dealer Representative**

Neither Colony nor any Colony employee is registered as a broker-dealer or a registered representative of a broker-dealer.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or an Associated Person of the Foregoing Entities**

Neither Colony nor any Colony employee is registered as a futures commission merchant, commodity pool operator, commodity-trading advisor, or an associated person of any of the foregoing entities.

**C. Relationships Material to Advisory Business**

- Focus Financial Partners

As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Pubco, and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Pubco. Because Colony is an indirect, wholly-owned subsidiary of Focus LLC and Focus Pubco, the Stone Point and KKR investment vehicles are indirect owners of Colony. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

Colony’s management does not believe that its relationship with Focus Operating, Focus LLC, and Focus Pubco poses a material conflict to its clients. The principals of Focus Operating are not involved in the day-to-day management of Colony. Colony is managed independently of any Focus affiliate.

Additional information about Focus is available at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

- Sentinel Pension Advisors, Inc.

Colony and Sentinel Pension Advisors, Inc. (“SPA”) are both advisory firms owned by Focus Operating, LLC. Colony and SPA have an agreement in place whereby Colony serves as a subadvisor to SPA for certain client retirement plans.

SPA and the client enter an advisory agreement that specifies the discretionary and/or non-discretionary advisory services and duties to be delegated to Colony. Generally, Colony is responsible for investment recommendations and creating and maintaining model portfolios, individual fund choices, and asset allocation targets. SPA is generally responsible for fiduciary governance, participant services, and portfolio administration, including trading, rebalancing, and fiduciary and performance reporting. Colony, at its discretion, participates in Sentinel's investment meetings with clients. As the advisor to the client, SPA collects its quarterly advisory fee and generally remits 50% of such fee to Colony for its services.

- Pooled investment vehicle: *Colony Multi-Strategy Fund, L.P.*

Colony is the investment manager of a limited partnership, Colony Multi-Strategy Fund, L.P. (the "Partnership"). Moreover, Colony Funds, LLC, a subsidiary of Colony (the "General Partner"), serves as the general partner to the Partnership. The General Partner has discretionary authority to manage the Partnership's activities. Colony is responsible for the Partnership's day-to-day portfolio management under the general supervision of the General Partner. Since November 2017, the General Partner has been in the process of closing the fund and redeeming all investors. The full redemption and termination of the Partnership is expected to be completed in 2020.

- Adhesion Wealth Advisor Solutions, Inc. ("Adhesion")

Prior to merging with Colony, CapGroup entered into an agreement with Adhesion, an investment advisory firm based in Charlotte, North Carolina. Adhesion provided certain advisory functions to CapGroup on behalf of certain CapGroup client accounts. These functions included trading, back-office support, and performance reporting. CapGroup and/or the client paid a fee to Adhesion for each account that received services.

As a result of the merging of CapGroup and Colony, and the clients of CapGroup assigning their advisory agreements to Colony, Adhesion continues to provide certain services for a limited number of clients of Colony.

#### **D. Selection of Other Investment Advisors and Compensation Received**

Colony utilizes third-party managers and/or unaffiliated alternative investment vehicles when appropriate for the purpose of providing a client an overall diversified portfolio. Colony does not receive compensation from those managers or alternative investment vehicles.

##### *Investment Consultants*

From time to time, Colony has directly entered into investment consulting relationships with independent registered investment advisory firms on behalf of its clients pursuant to the delegation authority granted to Colony by its clients in such clients' investment advisory agreements. Investment consultants in some cases offer investment strategies that are separate and distinct from proprietary strategies offered by Colony.

Prior to entering into a relationship, Colony performs a due diligence review of the consultant. This review includes the review of the firm's investment offerings, performance of the strategy considered, regulatory filings, and compliance program. The due diligence process includes multiple conversations and may include in-person visits to the consultant's place of business.

When a strategy offered through a consultant is appropriate for a client of Colony, Colony will provide the client with the consultant's Form ADV Part 2A and any other information that may be relevant or informative to the client. In addition, each client that invests in such a strategy is required to acknowledge, in writing, the Colony-consultant relationship and the specific strategy offered through the consultant. The client will not engage the consultant directly; the client's advisory relationship remains with Colony as set forth in the client's investment advisory agreement.

Colony has a consulting agreement with Copeland Capital Management, LLC ("Copeland"). Copeland is an SEC-registered investment advisory firm based in Conshohocken, PA. For clients for whom it is appropriate, Colony constructs a portfolio of stocks that exhibit dividend growth while seeking to preserve capital by tactically exiting sectors displaying technical weakness. The stock selection process screens for stocks with five years of dividend growth that then are ranked using a quantitative



model based on factors linked to the company's ability to pay and increase dividends. The portfolio generally holds positions in the five top-ranked stocks in each sector with a positive technical signal. The maximum sector allocation is 25%, and cash is held if a portfolio invests in three or fewer sectors. Copeland acts as an investment consultant and provides Colony with the investment recommendations with respect to this strategy. A Colony client invested in this strategy has no relationship with Copeland; his/her investment advisory relationship is with Colony.

Colony has a consulting agreement with Contravisory Investment Management Inc. ("Contravisory"). Contravisory is an SEC-registered investment advisory firm based in Norwell, MA. For clients for whom it is appropriate, Colony constructs a diversified long-only, trend-following equity portfolio that seeks to capitalize on the long-term relative price trends in the equity markets. Contravisory acts as an investment consultant and provides Colony with the investment recommendations with respect to this strategy. A Colony client invested in this strategy has no relationship with Contravisory; his/her investment advisory relationship is with Colony.

#### *Separate Account Managers*

Some of Colony's clients utilize separate account managers ("SAMs") for management of certain of their investment assets. Currently, these SAMs include Breckinridge Capital Advisors, Gannett Welsh & Kotler, LLC, Appleton Partners, Inc., Neuberger Berman LLC, Wedgewood Partners, Inc., Fiera Capital Management, LLC, Parametric Portfolio Associates LLC, and Gardner Russo & Gardner, LLC. In addition to an advisory relationship with Colony, clients utilizing a SAM enter into an advisory agreement directly with such SAM, or through their custodian when the SAM is offered by their custodian's SAM platform. Colony performs diligence on the SAMs, addressing whether the strategies generally are appropriate for its clients, and in some cases assists clients with the completion of SAM forms, advisory agreements, custodial documents, etc. Management fees charged by the SAM are disclosed in each SAM's ADV 2A, a copy of which is provided to the client by the SAM. Fees also are included in the SAM's advisory agreement or in the custodian's SAM platform documents, as the case may be. Some SAMs prepare quarterly investment reports and provide them directly to the clients.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

#### **A. Description of Code of Ethics**

Colony has adopted a Code of Ethics (the "Code") pursuant to SEC rule 204A-1. The Code provides that each employee place the interests of Colony's clients ahead of his/her own. The Code covers the following areas: Prohibited and Restricted Activities, Reporting Requirements, Certification of Compliance, Confidentiality, Recordkeeping Requirements, Insider Trading, and Compliance with Laws and Regulations. Colony's Chief Compliance Officer will provide a copy of the Code to any client or prospective client upon request.

#### **B. Recommendations Involving Material Financial Interests**

Under the Code, related persons of Colony are required to disclose any personal material interest they have in a security or investment that Colony recommends to clients. As explained in Item 10, Colony is the investment manager of a limited partnership, Colony Multi-Strategy Fund, L.P. Colony has in the past recommend limited partner interests to eligible clients for whom it believes the investment would be suitable given the client's goals, objectives, risk tolerance, tax circumstances, and liquidity needs. Conflicts of interest are detailed in the fund's offering documents. Limited partners receive annual audited financial statements prepared in accordance with GAAP, unaudited account statements monthly from the fund's administrator, and such other reports as determined by the General Partner.

#### **C. Investing Related Persons' Money in the Same Securities as Clients**

Related persons of Colony may invest in a particular investment strategy in which Colony's clients invest. Trades on behalf of clients may be aggregated with trades on behalf of a related person only if the following conditions are met:

1. The clients' trades are treated equally with trades of the related person;
2. Each related person and each client in the trade receive average execution and average commissions; and
3. The securities purchased or sold are allocated pro rata.

The account of a related person receives no favorable treatment with respect to the management of the account or the execution of transactions. Should a potential transaction on behalf of a related person likely conflict with any of Colony's clients, Colony will place its clients' interests first. Colony reviews accounts that it manages on behalf of its related persons to ensure that such accounts have not received preferred treatment.

Related persons of Colony may invest in a private investment vehicle in which clients are invested. Any related person recommending an investment in which he or she is invested must disclose the fact to the client.

#### **D. Trading Securities At/Around the Same Time as Client's Securities**

Pursuant to the Code, related persons of Colony may invest in individual securities that also are holdings in Colony's investment strategies. Each related person is required to conduct all personal securities transactions in a manner that is consistent with the Code and to avoid any conflict of interest. No related person may misuse information about client accounts, abuse his or her position of trust and responsibility, or take inappropriate advantage of his or her position. Colony has a policy concerning individual trading by related persons that it believes is reasonably designed to minimize potential conflicts of interest with its clients. In furtherance of minimizing such potential conflicts of interest, Colony prohibits its related persons from trading, either personally or on behalf of others, in securities while in possession of material non-public information regarding such securities or communicating material non-public information to others.

### **ITEM 12: BROKERAGE PRACTICES**

#### **A. Factors Used to Select Custodians and/or Broker-Dealers**

Colony generally recommends that its investment management clients custody their accounts/assets at unaffiliated broker/dealer custodians with which Colony has an institutional relationship. Currently, these include, but are not limited to, Charles Schwab & Co., Inc. ("Schwab"), Fidelity Brokerage Services LLC and National Financial Services LLC (together, "Fidelity"), and TD Ameritrade, Inc. ("TD Ameritrade") (generally and collectively, "BD/Custodian(s)"), all of which are "Qualified Custodians" as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed by Colony.

Colony seeks to select BD/Custodian(s) that will hold clients' assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. In selecting a BD/Custodian, some of the factors that Colony considers include:

- Trade order execution and the ability to provide accurate and timely execution of trades;
- The reasonableness and competitiveness of commissions and other transaction costs;
- Access to a broad range of investment products;
- Access to trading desks;
- Technology that integrates within Colony's environment, including interfacing with Colony's portfolio management system;
- Access to investment research and tools that assist us in making investment decisions;
- Ability to provide a full range of options for account registrations for Colony's clients;
- Availability of a soft dollar program or additional services program;
- A dedicated service or back office team and its ability to process seamlessly and timely myriad requests from Colony on behalf of its clients, including transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Ability to provide Colony with access to client account information through an institutional website;
- Ability to provide clients with electronic access to account information and investment and research tools;

- Access to client referral platforms;
- Practice management tools and services;
- Reputation, financial strength, security and stability; and
- Prior service to us and our clients.

Colony generally places portfolio transactions through the BD/Custodian where the clients' accounts are custodied. In exchange for using the services of the BD/Custodian, Colony receives, without cost, computer software and related systems support that allows Colony to monitor and service its clients' accounts maintained with such BD/Custodian. Colony also receives through the BD/Custodian access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the BD/Custodian include some to which Colony might not otherwise have access or that would require a significantly higher minimum initial investment by clients. Additional benefits that Colony receives from the BD/Custodian include the receipt of duplicate client confirmations and bundled duplicate statements, access to investment research, access to a trading desk that exclusively services institutional brokerage group participants, access to block trading services that provide the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, and/or access to an electronic communication network for client order entry and account information, access to the technology that allows Colony to facilitate payment of Colony's fees from the clients' accounts and that assist with back-office functions, recordkeeping and client reporting. Other benefits Colony receives from various BD/Custodians include consulting, publications, educational conferences and events on practice management, information technology, business succession, and regulatory compliance; access to employee benefits providers, human capital consultants, and insurance providers; marketing consulting and support; and occasional business entertainment of our personnel. The BD/Custodian may provide some of these services itself or it will arrange for third-party vendors to provide the services to Colony. The BD/Custodian may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

The availability of these services from the BD/Custodians benefits Colony in that it does not have to produce or purchase them. As applicable, Colony's receipt of such benefits is reviewed to ensure compliance with the Securities Exchange Act 28(e)'s safe harbor for so-called "soft dollar" arrangements and the SEC's latest guidelines.

BD/Custodians generally do not charge Colony's clients separately for custody service for clients' accounts they maintain, but they are compensated by charging clients commissions or other fees on trades that they execute or that settle into clients' accounts with the respective BD/Custodian. Certain trades (for example, many mutual fund and ETFs) may not incur the BD/Custodian commissions or transaction fees.

If a client's account meets the BD/Custodian's minimum account size, Colony generally recommends that the client enter a Prime Brokerage Services Agreement with the BD/Custodian. This agreement permits Colony, in its discretion, to trade away from that BD/Custodian when placing securities transactions on behalf of the client. The account will incur a small trade-away fee (generally \$5.00) from the BD/Custodian for each transaction that is executed on a trade-away basis. This fee is separate from the commission/transaction fee imposed by the broker-dealer through which the trade was executed.

Trading away may be advantageous for the client because:

- the broker-dealer may have expertise in trading a particular security or market;
- the broker-dealer makes a market in a particular security;
- a particular security is thinly traded; or
- the broker-dealer can identify a counter-party for a trade.

A client generally pays higher net execution costs than they would have paid if the transaction were placed through the BD/Custodian holding his/her account. Colony reviews its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. Colony maintains a list of broker-dealers that have been approved for trading clients' assets away from the BD/Custodians. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

#### 1. Research and Other Soft Dollar Benefits

Colony uses a portion of client brokerage commissions to obtain research-related products or services. This is an economic benefit to Colony, as Colony does not have to pay for such products or services. This is a conflict of interest as Colony has an incentive to select a BD/Custodian or other broker-dealer based upon it receiving such benefits, rather than on the client's interest in receiving execution at the best price.

Colony will enter into soft dollar arrangements in accordance with Section 28(e) of the Securities Exchange Act of 1934 and the following policy. Where more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, Colony in some cases will select a broker-dealer that furnishes products and/or research services.

In addition, if Colony determines in good faith that the commission charged by a broker-dealer is reasonable in relation to the value of brokerage and research services provided by such broker-dealer, Colony in some cases will cause a client account to pay such a broker-dealer an amount of commission greater than the amount a BD/Custodian or other broker-dealer may charge, but generally within a competitive range. Research products and/or services may include:

- fundamental research reports;
- quantitative research reports;
- technical and portfolio analyses;
- pricing services;
- economic forecasting, interest rate projections and general market information (including but not limited to research and information services such as BCA, First Call, Reuters, FactSet, Dow Jones News Services, Morningstar, Empirical Research, and similar services);
- historical database information; and

Research, products, or services received from soft dollar benefits generally serve to benefit all client accounts. Colony does not allocate soft dollar benefits to client accounts proportionately to any soft dollar credits that the accounts generate.

Colony has soft dollar agreements with Schwab and Fidelity, two of the BD/Custodians that it uses for custody of clients' accounts. It has research arrangements with other unaffiliated broker-dealers, including Credit Suisse First Boston, Bernstein & Co. LLC, William Blair & Co., and Morgan Stanley Smith Barney. On an annual basis, Colony reviews its arrangements with the BD/Custodians and broker-dealers by evaluating those factors previously detailed in this Item.

## 2. Brokerage for Client Referrals

Colony does not select or recommend broker-dealers based solely on whether or not it receives client referrals from a broker-dealer or third party. Nevertheless, Colony does participate in client referral programs with Schwab, Fidelity, and TD Ameritrade which provide incentives for Colony to recommend the broker-dealer who referred a client to Colony. See Item 14 below for further discussion of these referral programs.

## 3. Client-Directed Brokerage

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage Colony to manage on a discretionary basis, Colony has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and affect securities transactions through the BD/Custodian of the client's account or other broker-dealers selected by Colony. In selecting a broker-dealer to execute a client's securities transactions, Colony seeks prompt execution of orders at favorable prices.

A client, however, may instruct Colony to custody his/her account at a specific broker-dealer and/or direct some or all of his/her brokerage transactions to a specific broker-dealer.

In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if Colony exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer often involves the following disadvantages to a directed brokerage client:

- Colony's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of Colony's experience in selecting broker-dealers that are able to execute difficult trades efficiently;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- the client could receive less favorable prices on securities transactions because Colony often places transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by Colony on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts that Colony manages on a non-discretionary basis are held at custodians selected by the institutional client. The decision to use a particular custodian and/or broker-dealer generally resides with the institutional client. Colony endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. Colony in some cases assists the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out Colony's investment recommendations.

## 4. Trade Errors

Colony's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error by Colony occurs, Colony endeavors to identify the error in a timely manner, correct the error so that the client's account is in the same position than it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a trade correction account at Fidelity, Schwab, and TD Ameritrade. In the event an error is made in a client account custodied elsewhere (*e.g.*, UBS, MSSB, etc.), Colony works directly with the broker in question to take corrective action. Colony will take the appropriate measures to return the client's account to the same or better position.

*Fidelity* – A trade correction account is maintained. If a trade error is processed through the account, Colony is required to submit, in a timely fashion, a trade correction request and attestation form. Through such corrective action, the client's account is placed in the position that it would have been had there been no error.

A trade correction account statement is provided by Fidelity for periods in which a trade errors occur. The statement lists trade corrections made through the account during the period. Colony reviews and reconciles its record of correction requests with the statement. Corrections generally have a gain or loss resulting from market movement between the time of the error and time of correction. At the end of the month, gains and losses are netted. A net gain will be sent to a charity of Fidelity's choice. A net loss is the responsibility of Colony and funds to cover will be swept from its fee account.

Potential conflicts of interest in maintaining a trade correction account are mitigated by the following: Colony's trading procedures are designed to prevent trade errors; errors should be corrected upon discovery; Compliance and the CIO review the error and sign off on the corrective action; Fidelity must approve the correction; and in that Colony assumes the risk that market movement may cause a loss for which it is responsible, it has an incentive to avoid trade errors.

*Schwab* – A trade correction is processed through our Master account at Schwab. If a trade error is processed through the Master account, Colony discusses with Schwab the corrective action that will be most beneficial to the client under the circumstances. Through such corrective action, the client's account will be placed in the same or better position than it would have been had there been no error.

When a correction is made, the treatment of any resulting gain or loss is dependent upon the amount of such gain or loss. A gain or loss up to \$99.99 is maintained or covered by Schwab. If the corrective action results in a loss  $\geq$  \$100, Schwab sends Colony an invoice for the difference between \$100 and the actual loss, for which Colony is responsible for paying. If the corrective action results in a gain  $\geq$  \$100, Schwab's policy is to donate the difference between \$100 and the actual gain to charity. As it does with Fidelity, Colony assumes the risk of market movement of the security, and thus has an incentive to avoid trade errors.

*TD Ameritrade* – An error account is maintained with TD Ameritrade. A trade correction account statement is provided by TD Ameritrade for months in which trade errors occur. The statement lists trade corrections made through the account during the period. Colony reviews and reconciles its record of correction requests with the statement. The corrective action processes are substantially the same as described above in connection with Fidelity and Schwab. Colony is required to submit a trade correction request and attestation form. Through such corrective action, the client's account will be placed in the same or better position that it would have been had there been no error.

Any resulting gain is automatically swept to a separate TDA error account and subsequently donated to the American Red Cross or other 501(c)(3) charity. If the corrective action results in a loss generally of \$100 or more, Colony is responsible for such loss and makes arrangements to reimburse TDA.

As it does with Fidelity and Schwab, Colony assumes the risk of market movement of the security, and thus has an incentive to avoid trade errors.

In the event that a trade error cannot be processed at the BD/Custodian through the aforementioned corrective processes, Colony endeavors to ensure that its corrective action is timely and accurate, and that it places the client's account in the same or better position than it would have been had there been no error.

## **B. Trade Aggregation**

### *Balancing the Interests of Multiple Client Accounts*

Colony manages multiple accounts with similar investment objectives and strategies and manages accounts with different objectives or strategies that in some cases trade in the same securities. Despite these similarities, Colony's portfolio decisions about each client's investments and the performance resulting from these decisions at times differs from those of other clients.

### *Allocating Investment Opportunities*

Colony will not necessarily purchase or sell the same securities for client accounts at the same time or in the same proportionate amounts for all eligible clients. It is expected, however, that client accounts with similar objectives will often trade in the same securities at the same time.

Colony will allocate investment and trading opportunities (including the sequence of placing orders if not “batched”) in a manner believed by Colony to be fair and equitable to each client. In making these allocations, Colony will take into account the following factors:

- the clients’ investment objectives and strategies;
- the composition, size, and characteristics of the account;
- the cash flows and amount of investment funds available to each client;
- the amount already committed by each client to a specific investment;
- each client’s risk tolerance and the relative risk of the investment; and
- the marketability of the security being considered.

Colony at times deviates from strictly pro rata allocation, when appropriate, taking into account the following considerations:

- to avoid creating odd lot fixed income positions in any account;
- to allocate a smaller portion to those accounts for which the purchased security would be a peripheral investment and a larger portion to those accounts for which the security would be a core investment;
- whether the purchased security is especially appropriate for accounts with certain investment goals or risk tolerances;
- to satisfy demand with respect to an account’s cash position relative to its portfolio (*i.e.*, to allocate a small portion to accounts with less cash or liquidity and a greater portion to accounts with more or highly liquid investments; and
- whether a proportionate allocation would, given the size of a client account, result in a position that is too small to be meaningful or too large to maintain an appropriate level of diversification.

If it is not possible in a single transaction or at a single price to affect trades in a particular security that is appropriate for multiple accounts, Colony in some cases, if feasible, computes and gives to each participating client account the average price for that day’s transactions in the security.

#### *Trade aggregation of SAMs*

Practices of SAMs and the accounts that they manage on behalf of our clients are disclosed to clients through such firms’ ADV 2As/Brochures, which Colony requires be provided to clients utilizing SAMs.

#### *Batching Orders*

When the same investment decision is made for more than one client on the same day, Colony often places orders to buy or sell the same securities for a number of clients. Whenever possible, orders to purchase or sell the same security for multiple accounts are aggregated. All accounts that participate in an aggregated transaction shall participate on a pro rata basis. Colony will not aggregate investment transactions for accounts unless the transaction is consistent with the terms of the applicable investment advisory agreement and each account’s investment objectives, restrictions, and policies.

#### *Principal Transactions and Cross-Trades*

Colony does not engage in principal transactions. On an infrequent basis, a portfolio manager may engage in a cross-trade transaction pursuant to Colony’s policy. A cross-trade will occur when there is an objective determination that it makes sense from an investment and cost standpoint and neither participating account is advantaged over the other. Cross-trades will not occur in ERISA plan accounts.

**ITEM 13:  
REVIEW OF ACCOUNTS**

**A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Colony performs regular reviews of the accounts it manages on behalf of its clients. Each account is managed by one of several portfolio managers, whose review responsibilities include the following:

- review the account's securities for price changes, volume, and relevant news;
- compare the account's allocation with stated goals;
- review holdings and consider alternatives;
- monitor the size of individual securities relevant to their sectors, asset classes, and overall account size;
- analyze an account's composition and performance, income, appreciation, gains/losses, and asset allocation; and
- assess its performance.

A client's advisor also is responsible for reviewing his/her managed accounts. Advisor reviews are conducted quarterly. The review seeks to ensure that the account is consistent with the client's investment objectives and guidelines, the investment strategy remains suitable for the client, and any material changes with respect to the account or client have been incorporated. Advisors also review the clients' investment management billing rates.

**B. Other Reviews**

Compliance performs reviews of select accounts for various reasons, including, but not limited to, comparing an account's strategy and/or allocation to the account's stated objectives, reviewing commission and transaction costs borne by the account, and reviewing the billing rate and charges.

The review of a financial counseling relationship is ongoing and involves revisiting goals, assessing the progress in achieving goals, and redefining strategies and goals where necessary. Wealth advisors seek to communicate with clients regularly. Such communication generally includes in-person meetings, phone calls, letters, and/or email, as appropriate.

**C. Content and Frequency of Regular Reports Provided to Clients**

*Investment Management Accounts*

Colony generates and provides written investment reports to its investment management clients on a quarterly basis. The reports include performance, income/expenses, cash flow, realized gains/losses, and an appraisal. Colony also prepares a quarterly market commentary letter and provides a copy to its clients. Moreover, each client receives or has access to account statements from the qualified custodian of his/her account at least quarterly.

Colony urges all investment management clients to compare the investment reports received from Colony with the account statements from their custodians. Colony also urges these clients to contact their wealth advisor should they not receive a brokerage statement from their custodian.

A client's investment report may differ from the custodian's statement(s) for various reasons, including: (1) Colony's reports generally are prepared on a trade-date basis, reflecting holdings as of the day transactions are executed, while holdings in custodians' statements generally are reported on a settlement basis, which typically is three to five business days after the trade date; (2) Colony's reports in many cases include assets that it advises on but are not held at the client's custodian (for which Colony receives data and valuations from other sources); and/or (3) Colony's reports in many cases exclude non-managed positions, while the custodians generally must report all client assets held in an account. Also, it is not uncommon for various custodians to have slightly different prices for identical bonds. For these reasons, the billable value of a client's portfolio as shown on their investment report may differ from the value as shown on the custodian's statement(s).



For assets not held by a client's main custodian, yet advised on and reported by Colony, pricing and valuations are received from other third-party service providers and administrators. In the event a quarter-end valuation for a certain asset(s) is unavailable, Colony will use the most recent value known to Colony with respect to such asset(s).

Valuations and/or performance for a client's interest in a limited partnership, hedge fund, or other similar investment vehicle are subject to change based upon updates received from the underlying managers and administrators.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

Fidelity and Schwab also offer other services intended to help Colony manage and further develop its business enterprise. These services include: (1) educational conferences and events; (2) technology, compliance, legal, and business consulting; (3) publications and conferences on practice management and business succession; and (4) access to employee benefits providers, human capital consultants, and insurance providers. They also from time to time provide other benefits such as educational events that benefit its clients or occasional business entertainment of Colony personnel. Fidelity and Schwab may make available, arrange and/or pay third-party vendors for these types of services rendered to Colony. Fidelity and Schwab from time to time 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 Colony.

The availability of services from Fidelity and Schwab benefits Colony as it does not have to produce or purchase them. In evaluating whether to recommend or require that clients custody their assets at Fidelity or Schwab, Colony does take 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 consider the nature, cost, or quality of custody and brokerage services offered by Fidelity or Schwab, which creates a potential conflict of interest. Colony recognizes this potential conflict of interest but believes that its selection of Fidelity or Schwab (when selected) as a custodian and broker-dealer is in the best interests of its clients, as its selection primarily is supported by the scope, quality, and price of their custodial and brokerage services (based on the factors discussed above – see “Factors Used to Select Custodians and/or Broker-Dealers”) and not the services that benefit only Colony. Moreover, Colony reviews and evaluates its arrangements with Fidelity and Schwab against other possible arrangements in the marketplace.

Schwab's support services – provided by Schwab Advisor Services – generally are available on an unsolicited basis (Colony does not have to request them) and at no charge so long as at least \$10 million in Colony's clients' assets are held in accounts custodied at Schwab. The receipt of support services gives Colony an incentive to recommend that its clients' accounts be held at Schwab in order to meet the minimum. As explained above, Colony recognizes this potential conflict of interest but believes its clients' interests are well-served with custody and brokerage services provided by Schwab.

Colony participates in the TD Ameritrade Institutional Advisor Program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (“TD Ameritrade”) member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services that include custody of securities, trade execution, clearance and settlement of transactions. Colony receives some benefits from TD Ameritrade through its participation in the program.

Through participation in the Program, Colony recommends TD Ameritrade to some clients for custody and brokerage services. There is no direct link between Colony's participation in the Program and the investment advice it gives to its clients, although Colony 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 Colony participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Colony by third-party vendors. TD Ameritrade may also

have paid for business consulting and professional services received by Colony's related persons. Some of the products and services made available by TD Ameritrade through the program benefit Colony but do not directly benefit its client accounts. These products or services assist Colony in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Colony manage and further develop its business enterprise. The benefits received by Colony 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, Colony endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Colony or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Colony's choice of TD Ameritrade for custody and brokerage services.

#### *TD Ameritrade – Additional Services*

TD Ameritrade and Colony have entered into an Additional Services Agreement whereby TD Ameritrade makes available certain products, research, services or other economic benefits ("Additional Services") to Colony that may or may not be offered to other independent investment advisors participating in the program. TD Ameritrade provides the Additional Services to Colony in its sole discretion and at its own expense; Colony does not pay any fees to TD Ameritrade for the Additional Services. TD Ameritrade and Colony have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

This is not a soft dollar arrangement or program. The provision of such Additional Services falls outside of the soft dollar safe harbor in Section 28(e) of the Securities Exchange Act of 1934; it is not based on the number or amount of securities transactions executed through TD Ameritrade, and such Additional Services do not consist of fees, commissions, or other remuneration contingent on the execution of securities transactions or the utilization of any other service or product.

Nonetheless, Colony's receipt of Additional Services, however, raises potential conflicts of interest. In providing Additional Services to Colony, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Colony's client accounts maintained with TD Ameritrade.

TD Ameritrade has the right to terminate the Additional Services Addendum with Colony, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Colony may have an incentive to recommend to its clients that accounts managed by Colony be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade.

The receipt of Additional Services does not diminish Colony's duty to act in the best interest of its clients, including the duty to seek best execution of trades for client accounts. Colony reviews its relationship with TD Ameritrade on an annual basis.

Currently, such Additional Services includes the following:

- One (1) Bloomberg License Fee through the Bloomberg Service which is used by Colony for the purpose of conducting fixed income and other research for its in-house investment analysts and portfolio managers in order to manage client portfolios. Appurtenant to Bloomberg Anywhere and Terminal Data Fees. Client portfolios benefit from Colony's use of Bloomberg's service. This is an economic benefit to Colony whereby TD Ameritrade pays Bloomberg up to \$17,160 on an annual basis on behalf of Colony; and
- FactSet. Provides computer-based financial data and analysis used by Colony's portfolio managers. It consolidates data on global markets, public and private companies, and equity and fixed-income portfolios. Client portfolios benefit from Colony's use of FactSet. This is an economic benefit to the Colony whereby TD Ameritrade pays Credit Sights up to \$11,940 on an annual basis on behalf of Colony.
- S&P Dow Jones Indices. It's the largest global resource for essential index-based concepts, data and research, and financial market indicators used by Colony's income portfolio manager. Client portfolios benefit from Colony's use of S&P Dow Jones Indices. This is an economic benefit to the Colony whereby TD Ameritrade pays Credit Sights up to \$20,900 on an annual basis on behalf of Colony.

The Bloomberg, FactSet and S&P Dow Jones Indices research services are provided to Colony for a one-year term, after which time TD Ameritrade and Colony may allow for their renewal pursuant to the terms of the Additional Services Agreement.

#### *Fidelity – Support Services Agreement*

Colony has entered into an agreement with eMoney Advisor, Inc. (“eMoney”) to license certain technology products and services from eMoney (the “eMoney Services”). eMoney is an affiliate of Fidelity. The specific eMoney service in this arrangement is the eMX Pro Financial Planning Software, which assists Colony in rendering financial planning services to its clients. This software helps Colony deliver its financial planning services efficiently and aids in its communication with clients.

As a part of its overall business relationship with Colony, Fidelity has agreed to subsidize a portion (30%) of the cost of the eMoney Services (the “Subsidy,” which currently totals approximately \$35,000 annually). As a result of the Subsidy, Colony has a potential conflict of interest with respect to its decision to use Fidelity for custody, execution, and clearing for client accounts, and Colony has an incentive to suggest the use of Fidelity and its affiliates to its advisory clients.

Entering into a contractual relationship with eMoney does not limit Colony’s duty to select brokers on the basis of best execution, nor does receiving the Subsidy. Colony must continue to act in the best interest of its clients, and Colony reviews its relationship with Fidelity on a regular basis.

While Fidelity provides the Subsidy, it is not a party to the contract between Colony and eMoney. Furthermore, there is no form of legal partnership, agency, affiliation, or similar relationship between Colony and Fidelity, nor is such a relationship created or implied by the provision of the Subsidy.

#### *Recognitions and Awards from Unaffiliated Financial-Related Institutions*

Colony from time to time receives awards or recognitions from unaffiliated rating services, companies, and/or publications. Colony receives no compensation or other financial benefits in receiving an award or recognition. Awards or recognitions should not be construed by a client or prospective client as a guarantee that they experience a certain level of results if Colony is engaged, or continues to be engaged, to provide investment advisory services. They should not be construed as a current or past endorsement of Colony by any of its clients. Awards or recognitions generally are based on information prepared and/or submitted by Colony.

## **B. Compensation to Non-Supervised Persons for Client Referrals**

#### *Schwab Advisor Network*

Colony receives client referrals from Schwab through Colony’s participation in the Schwab Advisor Network (the “Network”). The Network is designed to help investors find an independent investment Advisor. Schwab is a broker-dealer independent of and unaffiliated with Colony. Schwab does not supervise Colony and has no responsibility for Colony’s management of client portfolios or Colony’s other advice or services. Colony pays Schwab fees to receive client referrals through the Network. Colony’s participation in the Network raises potential conflicts of interest. Colony pays Schwab a participation fee on all referred client accounts that are maintained in custody at Schwab (the “Participation Fee”) and a “Non-Schwab Custody Fee” on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee is a percentage of the value of the assets in the client’s account. Colony pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The fee is billed to Colony quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by Colony, not the client. Colony does not charge clients referred through the Network fees greater than the fees it charges clients with similar portfolios who were not referred through the Network or otherwise pass referral fees it pays to Schwab through to its clients

Colony, and not the client, generally pays Schwab a Non-Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from, Schwab. The Schwab Non-Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The fee is higher than the Participation Fee Colony generally would pay in a single year. Therefore, Colony has an incentive to recommend that the referred client’s accounts be held in custody at Schwab.

The Participation and Schwab Non-Custody Fees are based on the amount of assets in accounts of Colony's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Colony will have incentives to encourage household members of clients referred through the Network to maintain custody of their accounts at Schwab.

For accounts of Colony's clients maintained in custody at Schwab, Schwab generally does not charge the client separately for custody but receives compensation from the client in the form of commissions or other transaction-related compensation on securities trades Schwab executes for the client's account.

Clients also pay Schwab a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Colony has an incentive to cause trades to be executed through Schwab rather than another broker-dealer.

Colony nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab are from time to time executed through a different broker-dealer than trades for Colony's other clients. Thus, trades for accounts custodied at Schwab in some cases will be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

#### *TD Ameritrade AdvisorDirect Program*

Colony receives client referrals from TD Ameritrade through Colony's participation in the TD Ameritrade AdvisorDirect Program (the "Referral Program"). TD Ameritrade is an SEC-registered broker-dealer independent of and unaffiliated with Colony. TD Ameritrade has established the Referral Program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management to independent investment advisors. TD Ameritrade does not supervise Colony and has no responsibility for Colony's management of client portfolios or Colony's other advice or services. In addition to meeting the minimum eligibility criteria for selection for participation in the Referral Program, Colony may have been selected based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Colony's clients' accounts maintained at TD Ameritrade.

Colony's participation in the Referral Program raises potential conflicts of interest. TD Ameritrade will most likely refer clients through the Referral Program to investment advisors that encourage their clients to custody their assets at TD Ameritrade. Colony pays TD Ameritrade a participation fee on all referred client accounts that are maintained in custody at TD Ameritrade. Colony will also pay TD Ameritrade the fee on any management fees received by Colony 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 who hired Colony on the recommendation of such referred client. The participation fee is a percentage, which shall not exceed 25%, of the investment management fee the client owes to Colony. The fee is billed to Colony quarterly.

The participation fee is paid by Colony, not the client. Colony will not charge clients referred through the Referral Program fees higher than Colony's standard fee schedule offered to other clients or otherwise pass referral fees paid to TD Ameritrade through to its clients.

Colony has agreed not to solicit clients referred through the Referral Program to transfer their brokerage accounts from TD Ameritrade or establish brokerage or custody accounts at other custodians other than when its fiduciary duties require it to recommend other broker-dealers or custodians. For accounts of Colony's clients maintained in custody at TD Ameritrade, TD Ameritrade's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Colony has an incentive to cause trades to be executed through TD Ameritrade rather than through another broker-dealer and will factor in the potential for additional fees when examining this arrangement with others in the marketplace to ensure it is seeking best execution.

As part of its fiduciary duty to clients, Colony endeavors at all times to put the interest of its clients first. Colony acknowledges its duty to seek best execution of trades for client accounts. Colony and TD Ameritrade are independent of each other and they have neither an agency nor an employment relationship with each other. Trades for client accounts held in custody at TD Ameritrade from time to time are executed through a different broker-dealer than trades for Colony's other clients. Thus, trades for accounts custodied at TD Ameritrade in some cases will be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### *Fidelity Wealth Advisor Solutions Program (WAS)*

Colony participates in the Fidelity Wealth Advisor Solutions Program (the “WAS Program”), through which Colony receives referrals from Fidelity Personal and Workplace Advisors LLC (“FPWA”), a registered investment adviser and Fidelity Investments company.

Colony is independent of and not affiliated with FPWA or ANY Fidelity Investments company. FPWA does not supervise or control Colony, and FPWA has no responsibility or oversight for Colony’s provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Colony, and Colony pays referral fees to FPWA for each successful referral based on Colony’s assets under management attributable to each client or members of client’s household. The WAS Program is designed to help investors find an independent investment advisory firm; any referral from FPWA to Colony does not constitute a recommendation or endorsement by FPWA of Colony’s particular investment management services or strategies. More specifically, Colony pays the following referral fees to FPWA as follows:

- For referrals made prior to April 1, 2017, an annual percentage of 0.20% of any and all assets in client accounts. Referral fees are payable for a maximum of seven (7) years; and
- For referrals made on or after April 1, 2017, the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. Referral fees with respect to referrals made after April 1, 2017 are not subject to the seven (7) year limitation; they will continue until and unless the client-Colony investment management relationship ceases.

Referral fees will be calculated, billed, and collected, based on the average daily balance of assets held in the referred clients’ account(s) during the relevant quarter. Referral fees are paid by Colony and not clients.

In that the WAS Program fee schedule for referrals on or after April 1, 2017 has two rates, Colony recognizes the inherent conflict of interest where it could be incented to make investment recommendations to WAS Program clients based on asset class. That is, with a standard investment management fee schedule that generally does not charge different fees based on assets classes, there exists a potential incentive for Colony to recommend investment strategies where it could maximize its own net fee after paying the FPWA referral fee. As a fiduciary to its clients, Colony strives to mitigate this conflict by making investment recommendations based on the client’s investment goals and objectives, risk level, income needs, and other factors that are important in building and managing a client’s investment portfolio. With respect to such referred clients, Colony’s compliance team monitors the onboarding documents and the investment strategy to determine if the Colony and client agreed-upon investment strategy is reasonable. Should the compliance team determine that there are any questions regarding whether the client’s best interest is being served, it will work with the client’s wealth advisor to address such question and take appropriate remedial action.

Colony has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. To receive referrals from the WAS Program, Colony must meet certain minimum participation criteria, but Colony may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA’s affiliate, Fidelity. As a result of its participation in the WAS Program, Colony has a potential conflict of interest with respect to its decision to use Fidelity for execution, custody, and clearing for certain client accounts. Colony also has an incentive to suggest the use of Fidelity to its advisory clients, whether or not those clients were referred to Colony as part of the WAS Program.

Under its agreement with FPWA, Colony has agreed that it will not charge referred clients more than the standard range of advisory fees disclosed in its Form ADV Part 2A. That is, it will not charge clients for the solicitation fees it pays to FPWA as part of the WAS Program. Pursuant to these arrangements, for referred clients under the WAS Program, Colony has agreed not to solicit clients to transfer their brokerage accounts from Fidelity or establish brokerage accounts at other custodians other than when Colony’s fiduciary duties would so require, and Colony has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from Fidelity to another custodian. Therefore, Colony may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with Fidelity.

As part of its fiduciary duty to clients, Colony seeks to put the interest of its clients first, and participation in the WAS Program does not limit Colony's duty to select broker-dealers on the basis of best execution. Trades for client accounts held in custody at Fidelity from time to time are executed through a different broker-dealer than trades for Colony's other clients. Thus, trades for accounts custodied at Fidelity in some cases will be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

#### *Referral Arrangements with Other Entities and Individuals*

Colony has referral arrangements in place with a number of other business and individuals, in addition to the relationships listed above. In each case, a written agreement is in place, under which Colony pays referral fees to the solicitor for each successfully-referred client based on the net investment management revenue attributable to such client. Potential investors are provided a copy of Colony's ADV 2A. Before becoming a client of Colony, a solicitor-referred potential investor must acknowledge this referral arrangement in writing. The acknowledgment discloses the specific terms of the arrangement. The client is not charged the cost of the solicitation of his/her account(s), *i.e.* Colony does not charge the referred client investment management fees that are higher than its standard rates. This arrangement is structured to meet the requirements of Rule 206(4)-3 of the Investment Advisers Act.

In the case of one referral partner, AXA Advisors, LLC ("AXA"), Colony pays AXA non-compensatory processing fees to cover AXA's administrative expenses related to the referral arrangement in addition to the referral fee.

#### **C. Other Compensation**

Periodically, Focus holds partnership meetings and other industry and best-practice conferences. These meetings typically include Focus member firms and external/unaffiliated attendees (third-parties). These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Colony. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Colony. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Colony to focus on those conference sponsors in the course of its duties.

Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Colony. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement. The following entities have provided conference sponsorship to Focus in the last year: BlackRock, Inc.; Fidelity Brokerage Services, LLC; Orion Advisor Services, LLC; and Charles Schwab & Co., Inc.

#### **ITEM 15: CUSTODY**

Colony's investment management clients' assets are held at unaffiliated qualified custodians. Although Colony does not hold these assets, it is deemed to have custody for purposes of amended Rule 206(4)-2 of the Advisors Act due to: (A) in managing its clients' accounts, the ability deduct advisory fees from clients' accounts and receive such payment from the clients' custodians; (B) the fact that, in some instances, a client-donor of Colony has named a Colony partner to serve as a fiduciary (trustee) to a trust created by the donor and Colony manages such trust account; (C) the fact that some of Colony's clients have created through their Custodian (with Colony's facilitation) standing third-party money movement instructions giving Colony the ability to direct the custodian to send the account owner's (client's) money to such third party; (D) the fact that because a small number of Colony's clients have given their wealth advisors logon credentials to certain of their financial institutions' websites, Colony in some cases would have the ability to direct certain of such clients' funds to a third party; (E) the fact that on occasion a client will instruct Colony to deposit a check into the client's brokerage account after authorizing Colony in writing to perfect the check; (F) the fact that Colony provides bill pay services for its family office and business management clients; (H) the fact that Colony in some cases obtains clients' credit card information in order to charge clients for tax and dispute resolutions services; and (G) the fact that Colony Funds, LLC, serves as the general partner to Colony Multi-Strategy Fund, L.P.

As mentioned in Item 13(C) above, Colony provides all clients with quarterly investment reports. These reports are in addition to statements provided by the clients' custodians on at least a quarterly basis. Colony urges all investment management clients to compare the investment reports received by Colony with the account statements received by their custodians. For accounts managed by SAMs, clients receive quarterly investment reports from such SAMs. In these cases too, Colony urges clients to compare such reports to the accounts statements received from their custodians.

#### **ITEM 16: INVESTMENT DISCRETION**

For clients that have hired Colony for investment management services, Colony often has discretionary authority to manage their investments, such authority having been granted by an investment advisory agreement and one or more Investment Policy Statements ("IPSS") executed by Colony and the client.

With respect to Colony's exercising investment discretion over an account, this authority is granted through a limited power of attorney granted by the client to Colony through a client-executed custodial application and/or related custodial form. A client retains the right and ability to remove any and all of Colony's discretionary authorities over their account.

For some clients, Colony provides ongoing supervisory and investment advice with respect to non-discretionary accounts and/or assets as agreed upon by Colony and the client. Non-discretionary accounts and assets generally include accounts managed by SAMs; clients' investments in unaffiliated hedge funds, limited partnerships, or other private offerings; and outside assets which often include qualified employer-sponsored plans. Non-discretionary accounts and assets also include accounts belonging to certain institutional clients where Colony has responsibility to make, monitor, and oversee its investment recommendations.

As explained above in Item 4(C), a client may impose reasonable restrictions or limitations on the management of his/her account. Any such restrictions or limitations generally are reflected in an IPS executed by Colony and the client and/or other written instructions provided to Colony.

#### **ITEM 17: VOTING CLIENT SECURITIES**

It is Colony's longstanding policy that each client is responsible for voting all of the proxies related to the securities held in his/her account. For the advisory clients of Colony who were clients of Prosper prior to October 1, 2013, it was Prosper's policy to vote client securities on behalf of its clients. For the advisory clients of Colony who were clients of Long Wharf prior to July 1, 2014, it was Long Wharf's policy to vote client securities on behalf of such clients. Therefore, in light of these two pre-existing arrangements, Colony will vote client securities on behalf of such clients. This "grandfathering" policy applies only to the aforementioned groups of clients.

When Colony does in fact accept such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are described in Colony's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Colony's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. A client may contact Colony to request information about how Colony voted proxies for their securities or to get a copy of Colony's Proxy Voting Policies and Procedures. A brief summary of Colony's Proxy Voting Policies and Procedures is as follows:

- Investment Services generally will vote proxies according to Colony's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including composition of the board of directors, approval of independent auditors, management and director compensation, anti-takeover mechanisms and related issues, changes to capital structure, corporate and social policy issues, and issues involving mutual funds.

- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Colony is committed to spending sufficient time and resources to monitor these changes.
- Clients cannot direct Colony's vote on a particular solicitation but can revoke Colony's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that Colony maintains with persons having an interest in the outcome of certain votes, Colony takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

For the legacy Long Wharf clients, Colony utilizes the electronic voting services of Broadridge Financial Solutions, Inc., a firm that Long Wharf had an arrangement with prior to its principals and clients joining Colony. Broadridge's service, ProxyEdge, is designed to help Colony manage, track, and report proxy voting through electronic delivery of ballots, online voting, and integrated reporting and recordkeeping.

## **ITEM 18: FINANCIAL INFORMATION**

### **A. Balance Sheet**

Colony does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Colony nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Colony has not been the subject of a bankruptcy petition.