

**Brownlie & Braden Advisors, LLC**  
**Part 2A of Form ADV**  
**Firm Brochure**

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This brochure provides information about the qualifications and business practices of Brownlie & Braden Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 214-219-4650. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible clients/investors by means of delivery of offering or account documents that contain a description of the material terms relating to such investment or services.

Additional information about Brownlie & Braden Advisors, LLC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

The date of the last annual updating amendment to this brochure was March 29, 2019. A summary of certain of the material changes made to this firm brochure since the date of the last annual updating amendment is set forth below:

- We updated regulatory assets under management and assets under advisement as of December 31, 2019. See Item 4, Advisory Business.
- We added various additional and revised disclosures regarding performance-based fees and compensation in Item 6. See Item 6, Performance Based Fees and Side-by-Side Management.
- The Firm or an affiliate thereof may from time to time in the future sponsor, establish and manage one or more pooled investment vehicles and recommend that certain of the Firm's clients invest or acquire interests in such vehicles. See Item 7, Types of Clients, and Item 10.
- We made various revisions, updates and additions to the risk factor disclosures set forth in Item 8. See Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.
- We added additional disclosures and information regarding the Firm's non-discretionary and discretionary investment advisory services in Item 16. See Item 16.

All clients and investors are encouraged to review this document in its entirety. The information set forth in this brochure is qualified in its entirety by the applicable agreements or other documents entered into with each client. In the event of a conflict between the information set forth in this brochure and the information in the agreements or other documents entered into with any client, those agreements or other documents shall control.

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## **Item 4: Advisory Business**

Brownlie & Braden Advisors, LLC, a Delaware limited liability company (the “Firm”), was formed on May 10, 2017. The Firm is a wholly owned subsidiary of Focus Operating, LLC (“Focus Operating”). Focus Operating is, in turn, is a wholly owned subsidiary of Focus Financial Partners, LLC (“Focus LLC”). The executive officers of the Firm, who are responsible for the management, supervision and oversight of the Firm, are Smith A. Brownlie III and James E. Braden (the “Principals”). The Firm’s business is focused on financial issues that are important to individuals and families with significant assets. The Firm also performs or provides various administrative, back-office support and other services to certain of its clients. The Firm concentrates principally on providing the types of advisory services summarized below.

### **Focus Financial Partners, LLC**

The Firm is part of the Focus LLC partnership. Specifically, the Firm is a wholly owned subsidiary of Focus Operating, which is a wholly owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2019, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2019, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other SEC-registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers 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.

The Firm is managed by the Principals, pursuant to a management agreement between HHH BB Management Company, LLC and the Firm. The Firm’s Principals serve as executive officers of the Firm and are responsible for the management, supervision and oversight of the Firm.

### ***Types of Advisory and Other Services***

#### ***Gift and Estate Tax Planning***

The Firm provides wealth management including gift and estate planning services to high net worth individuals and families covering all areas of planning for the preservation and disposition of family

wealth. The Firm's approach utilizes legal, income tax and estate planning techniques. The Firm works alongside the client's other planning professionals.

The Firm assists clients in the implementation of a strategic estate liquidity plan for the client and the surviving family members.

The Firm also provides business succession planning for clients that own closely held companies that may involve multiple generations of family members, other key management personnel and employees or a third-party disposition.

The Firm assists clients with their philanthropic and charitable planning by counseling clients on the merits of a wide variety of planning vehicles, such as private family foundations, public charitable organizations, community foundations, charitable supporting organizations, charitable remainder and lead trusts and other planned giving strategies.

The Firm offers other non-advisory services, which include life insurance due diligence, risk management, turnaround/interim company management, participation in company management activities including board of directors' positions, and family wealth education.

#### *Investment Advisory Services*

The Firm generally provides investment supervisory services that assist clients in coordinating their investment portfolios. Services may include assisting the client with the investment objectives for each family entity, interviewing and evaluating third-party investment managers to be considered, compiling data and screening such third-party investment managers, manager selection and fee negotiation, asset allocation for various family entities, private equity due diligence, continuous and regular supervisory or management services to client investment portfolios, performance monitoring and reporting in light of Client objectives with changes made as necessary, and assistance with the implementation of investment recommendations including arranging or effecting the purchase or sale of investments. In addition, the Firm may review existing or proposed investments in closely held companies, investment funds, private placement offerings, publicly traded securities as well as other types of investments, as requested by the client.

#### *Evaluations and Recommendations of Investment Managers*

Depending on the nature of its engagement with each client, the Firm may evaluate and/or recommend to clients the investment advisory services of unaffiliated investment managers (including pooled investment vehicles managed, sponsored or established by such unaffiliated investment managers). These investment managers are independent of the Firm and are evaluated by the Firm. The investment managers are selected based on, among other things, the investment objectives and risk tolerance of the client as well as the past performance of the manager. Subject to the arrangements with each client, the Firm actively involves such client in the evaluation process with respect to third-party investment managers.

## **Regulatory Assets Under Management**

As of December 31, 2019, the Firm had approximately \$99,732,000 in regulatory assets under management (as disclosed in Item 5.F(2) of Part 1A of our Form ADV), all of which were managed on a discretionary basis. For purposes of calculating our regulatory assets under management, the Firm has only included the assets of a subset of the Firm's clients for which the Firm is deemed to provide "continuous and regular supervisory or management services" with respect to "securities portfolios" (as such concepts are described in the instructions to Part 1A of Form ADV) as of December 31, 2019. The Firm also provides investment advisory, administrative and other services to many other clients whose assets are not included or reflected as part of the Firm's regulatory assets under management (in light of the instructions to Part 1A of Form ADV). In addition to the Firm's regulatory assets under management, as disclosed in Item 5.F(2) of Form ADV, the Firm had client "assets under advisement" of approximately \$3,314,937,000 as of December 31, 2019 (which was computed using a method that is different from the method used to compute our "regulatory assets under management" for purposes of Item 5.F. in Part 1A).

## **Item 5: Fees and Compensation**

### **Fee Schedules**

The Firm generally charges an hourly rate of \$200-600 per professional. Clients typically are asked to pay an initial retainer fee that is based on the number of hours incurred prior to the execution of the investment advisory contract. Ongoing fees are billed quarterly in arrears based on the hourly rates of the professionals providing services during the quarter. The Firm has in the past entered into, and may in the future enter into, fixed fee or other compensation arrangements. Fees are negotiable based upon various factors deemed relevant or appropriate under the circumstances by the Firm, including size of the account and length of time with the Firm, among others.

### **Other Fees and Expenses**

All clients should understand that all fees paid to the Firm for its investment advisory and other services are separate and distinct from any fees and expenses charged to clients by third-party managers or third-party investment vehicles to which client assets may be allocated or invested (and any such fees and expenses charged by third-party investment managers will be in addition to any and all fees paid or payable to the Firm). For example, if a client invests in an investment vehicle managed by a third-party investment manager that was recommended by the Firm, such client will bear (or otherwise be subject to) its pro rata or allocable share of the fees and expenses charged by or applicable to such investment vehicle (as disclosed and described in its offering and governing documents). A complete explanation of the fees and expenses incurred in connection with or charged by such third-party investment managers or investment vehicles will be fully disclosed to clients, as applicable.

In addition to the Firm's investment management fees, clients bear investment transaction costs and custodial fees. To the extent that client accounts are invested in mutual funds including money market funds, these funds pay a separate layer of management, trading, and administrative expenses.

Details and information regarding the fees and expenses paid or borne by the Firm's clients are set forth in the advisory agreements with such clients. The foregoing disclosures are qualified in their entirety by the applicable advisory agreements and other client account documents.

### **Compensation for the Sale of Insurance Products**

The Firm may receive compensation in the form of commissions for the sale of insurance products to clients. This presents a potential conflict of interest and gives the Firm an incentive to recommend insurance products based on compensation received, rather than a client's needs. A complete explanation of expenses incurred and compensation received in connection with such sales will be fully disclosed to clients, as applicable.

### **Termination**

Each client contract generally is open-ended with no specific termination date. Either a client or the Firm may terminate an investment advisory contract at any time by written notice of cancellation

via U.S. Mail or other certifiable delivery carrier. Any unearned advisory fees that were prepaid will be refunded.



## **Item 6: Performance Based Fees and Side-by-Side Management**

The Firm does not currently charge performance-based fees to its clients, but the Firm may receive performance-based fees and compensation (including carried interest distributions) with respect to certain clients in the future (including, without limitation, affiliated pooled investment vehicles established or sponsored by the Firm or an affiliate thereof).

The Principals are, among other entities, the owners of Cotton Creek Capital Management, LLC (“CCCM”), a private fund manager that serves as the general partner of, and provides investment management, advisory and other services to, Cotton Creek Capital Partners, Ltd., a Texas limited partnership and private equity fund (“CCCP”), Cotton Creek Marcellus Partners, Ltd., a Texas limited partnership (“CCMP”), Cotton Creek Marcellus Partners II, Ltd., a Texas limited partnership (“CCMP II”), and Cotton Creek Terrace SBS, Ltd., a Texas limited partnership (“CCTSBS” and, collectively, “CCCM Funds”). See Item 10.

The Firm or an affiliate or predecessor thereof has in the past recommended, and expects to recommend in the future, that certain of the Firm’s advisory clients invest in one or more of the CCCM Funds or other private investment funds formed, sponsored, managed and/or advised by CCCM, the Firm or affiliates thereof. Because the Principals have financial interests in the CCCM Funds and the Firm, the Principals and other persons associated or affiliated with the Firm may have financial or other interests in other private investment funds formed, managed, advised or sponsored by the Firm or an affiliate, the Firm has or may have a financial or other incentive to recommend that Firm clients invest in the CCCM Funds and other affiliated pooled investment vehicles and face conflicts of interest relating thereto. To address this conflict, the Firm provides full and fair disclosure to its clients (including in the applicable offering materials). Additionally, the Firm’s officers are mindful of the fiduciary duties they owe to all of their advisory clients.

Affiliates of CCCM (including entities owned or controlled by the Principals) and the Firm are or may be entitled to receive performance-based allocations and/or carried interest distributions. Performance-based fees and allocations (including carried interest distributions) could motivate investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. The method of calculating carried interest or performance-based compensation arrangements raises potential conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions. To address this conflict, the Firm provides full and fair disclosure to its clients. Additionally, the Firm’s executive officers are mindful of the fiduciary duties they owe to all of their advisory clients.

## **Item 7: Types of Clients**

### **Types of Clients**

The Firm primarily provides customized investment management, advisory and other services to individuals and associated trusts, estates, or charitable organizations, investment vehicles and other corporations or business entities. The Firm also provides advice to various family limited partnerships and trusts. The Firm provides or may provide investment advisory, management, administrative and other services to affiliated pooled investment vehicles and other types of clients.

### **Account Requirements**

Among other things, clients generally will be required to sign management or services agreements (and/or other contractual arrangements) that, among other things, set forth the nature and scope of the Firm's services, authority and/or the objectives, guidelines and restrictions applicable to the services to be provided to such client.

To invest in an affiliated pooled investment vehicle managed or sponsored by the Firm or an affiliate thereof, each investor generally is required to be, among other things, an "accredited investor" and either a "qualified purchaser" or a "qualified client", as such terms are defined under applicable U.S. securities laws.

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

### **Investment Advisory Services**

As previously noted, the Firm generally provides investment supervisory services that assist clients in coordinating their investment portfolios. Services may include assisting the client with the investment objectives for each family entity, interviewing and evaluating third-party investment managers to be considered, compiling data and screening such third-party investment managers, manager selection and fee negotiation, asset allocation for various family entities, private equity due diligence, continuous and regular supervisory or management services to client portfolios, ongoing performance monitoring and reporting, and assistance with the implementation of investment recommendations. In addition, the Firm may review existing or proposed investments in closely held companies, investment funds, private placement offerings, publicly traded securities as well as other types of investments, as requested by the client.

Depending on the nature of its engagement with each client, the Firm may be responsible for making asset allocation recommendations, evaluating third party investment managers and other investment opportunities, recommending certain third party investment managers, assisting the client in arranging or effecting the execution of the transaction or investment management agreement, and reviewing the client's portfolios on an ongoing basis. Investment evaluations, recommendations, and portfolio supervisory services are provided in accordance with the client's investment objectives.

Subject to the arrangements with each client, the Firm generally intends to actively involve its clients in the evaluation process with respect to third-party investment managers.

Initial Evaluation and/or Due Diligence – Prior to recommending or referring a new investment manager (including managers to private funds) to manage client assets, the Firm generally conducts due diligence through telephonic and/or in-person meetings with such investment manager personnel and the review of key documents and information relating to such manager. This typically includes both a quantitative and qualitative analysis of the manager, with a focus on areas such as investment objectives and strategy, historical performance and risk, fees and expenses, transparency and reporting, background and continuity of key personnel, regulatory & disciplinary history, safety of client assets, and evaluation of gatekeepers and service providers, among other areas, as the Firm deems necessary or appropriate. The initial evaluation and/or due diligence process will vary depending upon the facts and circumstances of each situation (including the nature of the client relationship and the nature of the specific investment manager that is being reviewed). For example, fewer due diligence procedures may be warranted in situations where the Firm has a long-standing relationship with an investment manager.

The Firm generally conducts a more limited review when simply evaluating a third party investment manager or investment opportunity at the specific request of a client. Limited reviews may include one or more of the focus areas listed above, but the Firm generally will rely on information provided by the manager or sponsor of the investment (or the client).

For each client portfolio under the Firm's oversight, the applicable principal and other Firm professionals will periodically review its portfolio specifically looking for irregularities, unusual positions and overall allocations in accordance with account objectives. The relative frequency of each client account review may vary as determined by client preference, the nature of the client relationship or the type of assets managed on behalf of client. The Firm generally seeks to meet with each client on a quarterly basis to discuss the status of their investments.

Ongoing Evaluation and/or Due Diligence – The Firm generally conducts ongoing analyses of recommended investment managers. Similar to the initial due diligence, this analysis generally is conducted through telephonic and/or in-person meetings with investment manager personnel and through the review of key documents and information relating to such investment manager, and generally covers the same general focus areas that are addressed in the initial due diligence. However, actual investment activities and performance returns experienced in the client's account or portfolio investment are evaluated more heavily than the investment manager's prior historical performance.

### **Certain Risks Applicable to Investment Advisory Services**

The Firm has considered numerous risks associated with the management of client accounts including but not limited to:

- Client portfolios managed in ways that deviate from client mandates, potentially exposing client assets to a higher risk of loss;
- Firm fails to maintain documentation to substantiate their investment recommendations.
- Firm provides unsuitable investment advice; and
- Firm fails to disclose its conflicts of interest when recommending insurance products or private investment vehicles that result in additional compensation to the Firm or affiliated persons.

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. Investments selected by the Firm should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and can bear the risk of loss of their entire investment. The Firm cannot guarantee that any client will achieve their investment objectives or that any client will receive a return of its investment. Past performance of the Firm and its clients is not necessarily indicative of future results.

In addition to these general risks, additional risk factors and potential conflicts of interest that are or may be applicable to the Firm's clients and investment advisory services are set forth below.

***General Economic and Market Conditions.*** The success of our client's investment strategies and our recommendations are affected by general economic and market conditions, such as changes in interest rates, availability of credit, competition, industry conditions, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of client investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters,

or security operations). These factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility and/or illiquidity could impair a client's profitability or result in losses. There can be no assurance that clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Even a well-analyzed approach may not protect clients from significant losses under certain market conditions.

***Potential for Fraud.*** In spite of our desire to advise that clients invest their assets in reputable and trustworthy companies, there is a risk that clients may invest their assets in issuers that engage in fraud. To the extent that we recommend that clients invest their assets in a company that engages in fraud, a client could lose all or a substantial portion of its investment in such company and it could have a material adverse effect on the client's financial condition and results of operations.

***Terrorist Attacks, War, Natural Disasters and Outbreaks of Disease.*** Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad, natural disasters and outbreaks of disease or global pandemics or epidemics may adversely affect the United States, its financial markets and global economies and markets and could prevent us or clients from meeting our or their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility, natural disasters and outbreaks of disease (such as COVID-19) have created many economic, market, regulatory, legal, economic, political and other uncertainties, which may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

***Geopolitical Risks.*** An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for oil and gasoline and could affect certain investments financial results. Further, the United States government has issued public warnings indicating that energy assets might be specific targets of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, such investments may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default with respect to particular investments of clients, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on clients' returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for investments.

***Governmental Intervention.*** In 2008, the global financial markets underwent disruptions that led to certain governmental intervention. The coronavirus (COVID-19) pandemic of 2020 has also led and is likely to continue to lead to substantial governmental intervention (both in the United States and abroad). Such intervention, in certain cases, was or is being implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue

to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions were or are typically unclear in scope and application, resulting in confusion and uncertainty which in itself can be materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are unwound, there could likewise be uncertainty and adverse effects on the markets. In the case of any future market disruptions, it is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets or the effect of such restrictions on the Firm's or any client's investment strategies.

***Highly Volatile Markets.*** The prices of financial instruments in which clients may invest can be volatile. Price movements of the financial instruments in which client assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

***Interest-Rate Risk.*** The value of the fixed-rate securities in which we may invest will generally have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will generally decline, which may in turn adversely affect the profitability of our clients.

***Illiquid Investments.*** Some investments held by our clients may not be able to be sold except pursuant to a registration statement filed under the Securities Act of 1933 or in accordance with Rule 144 or another exemption under the Securities Act of 1933. Furthermore, because of the speculative and non-public nature of some investments, we may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent our clients from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date, which may adversely affect investment results of the investors.

***Limited Diversification and Risk Management Failures.*** Though we attempt to help our clients diversify their position, sector, and geographic exposures through use of certain position limits, at any given time, our clients' portfolios may not be diversified to any material extent, and, as a result, our clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by our clients, decline. In addition, clients could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by such clients. This limited diversity could expose certain clients to losses disproportionate to market movements in general. Although we attempt to help our clients identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk

management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in our risk management efforts could result in material losses for our clients.

***Multiple Levels of Expense.*** We impose or charge management/advisory fees and other administrative fees and expenses to clients (see Item 5). In addition, many unaffiliated third-party managers (and funds managed or sponsored or advised by such managers) also impose or charge management or advisory fees and/or performance-based fees or allocations (including performance allocations on realized and unrealized appreciation in the value of client assets). If a client invests in or through an unaffiliated third-party manager or a fund managed by an unaffiliated investment manager, it generally will be required to pay (and otherwise will be subject to), in addition to the advisory or service fees otherwise payable by such client to the Firm or an affiliate thereof, the management fees and carried interest distributions charged by that outside manager or applicable to a pooled investment fund managed thereby. This results in greater expense and less return on investment than if such fees and expenses were not charged. In addition, performance-based allocations or fees could give an outside manager an incentive to make investment decisions that are more risky or speculative than they might otherwise have made without such arrangements. The multiple levels of fees and expenses will reduce overall profitability of clients.

***Cybersecurity.*** The computer systems, networks and devices used by the Firm 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. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. 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. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

***Epidemics, Pandemics, and Public Health Issues.*** The Firm's business activities as well as the activities and investments of the Firm's clients could be adversely affected by the outbreaks of epidemics in Asia, Europe, North America, the Middle East and/or globally, such as COVID-19 (and other novel coronaviruses), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus, or COVID-19, has spread and is currently spreading rapidly around the world since its initial emergence in December 2019 and has negatively affected (and may continue to negative affect or materially impact) the global economy, global equity markets

and supply chains (including as a result of quarantines and other government-directed or mandated measures or actions to stop the spread of outbreaks). Although the long-term effects or impacts of coronavirus, or COVID-19 (and the actions and measures taken by governments around the world to halt the spread of such virus), cannot be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as H5N1, H1N1 and the Spanish flu, had material adverse effects on the economies, equity markets and operations of those countries and jurisdictions in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease, virus or major public health issue could cause a slowdown in the levels of economic activity generally (or push the world or local economies into recession), which would be reasonably likely to adversely affect the business, financial condition and operations of the Firm and its clients. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to worsen), the Firm or clients could be adversely affected by more stringent travel restrictions (such as mandatory quarantines and social distancing), additional limitations on our (or our clients') operations and business activities and governmental actions limiting the movement of people and goods between regions and other activities or operations.

**THE FOREGOING RISKS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FIRM'S INVESTMENT ADVISORY SERVICES.**



## **Item 9: Disciplinary Information**

Not applicable.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **Other Activities and Affiliations**

From time to time, certain of the Firm's employees and affiliates (including the Principals) serve or may serve as directors, officers or committee members of, and/or provide advice or services to, various companies and entities (including portfolio companies owned or held directly or indirectly by funds managed by CCCM and public companies). Clients should be aware that the receipt of non-public information by our related persons regarding these companies could preclude us from effecting discretionary transactions on behalf of clients in certain securities of these issues. Affiliates, officers and other related persons of the Firm (including the Principals) receive or may receive compensation from companies in their capacities as directors, officers or committee members, and they are not required to share any such compensation with clients. The activities of the Principals, employees of the Firm and their affiliates on behalf of or with respect to other private and public companies may present actual and/or potential conflicts of interest.

Two of the Firm's principal associates are licensed insurance agents and appointed with various insurance companies. The Firm typically receives commissions resulting from any insurance recommendations that are implemented through these companies.

As discussed in **Advisory Business - Referrals of Investment Managers and Client Referrals and Other Compensation** sections of this brochure, the Firm may recommend the advisory services of unaffiliated investment managers or investment vehicles managed, sponsored or advised by such unaffiliated managers.

### **Cotton Creek Capital Management, LLC**

As discussed in response to Item 6 above, the Principals, executive officers of the Firm, are, among other entities, the owners of CCCM, a private fund manager that serves as the general partner of, and provides investment management, advisory and other services to, the CCCM Funds. Activities on behalf of CCCM and its clients will take up a portion of the Principal's business time and may raise various other actual or potential conflicts of interest.

The Firm has entered into an Administrative Services Agreement with CCCM, pursuant to which CCCM will pay most of the CCCM Funds' management fees and any other revenues CCCM receives from the CCCM Funds to the Firm in exchange for providing non-advisory administrative, back-office, investor communications, consultation and various other operational and support services to CCCM.

The Firm has in the past recommended and may in the future recommend that certain of the Firm's advisory clients invest in one or more of the CCCM Funds or other private investment funds formed, advised, sponsored or managed by CCCM, the Firm or affiliates thereof. Because the Principals have financial interests in the CCCM Funds and the Firm, the Principals and others associated with the Firm have or may have financial and other interests in other private investment funds, they have or may have a financial or other incentive to recommend that Firm clients invest in the CCCM Funds and such other affiliated pooled investment vehicles and face conflicts of interest relating

thereto. The Principals additionally have a greater financial incentive to expend efforts on behalf of the CCCM funds than on their activities on behalf of the Firm and its clients. To address this conflict, the Firm provides full and fair disclosure to its clients. The Firm and the Principals additionally are mindful of the fiduciary duties they owe to all of their advisory clients.

### **CCC Advisors, LLC**

The Firm has entered into an Administrative Services Agreement to provide non-advisory administrative, back-office, investor communication, consultation and various other operational and support services, for an annual fee, to CCC Advisors, LLC (“CCCA”), an investment adviser that provides investment advisory, management and other services to private equity funds and co-investment vehicles. The Firm does not provide any investment advisory services with respect to CCCA. The Principals may serve as consultants or advisors, or provide other services with respect to, certain portfolio companies owned by clients of CCCA (and may receive compensation in connection therewith, which will not be shared with clients). The Principals (and certain of their respective affiliates or family partnerships) are also (i) limited partners in one or more of the pooled investment vehicles managed by CCCA or its affiliates and (ii) entitled to share in certain of the fees and/or carried interest distributions payable or distributable with respect to various pooled investment vehicles managed by CCCA.

### **Affiliated Partnerships and Investment Vehicles**

Entities directly or indirectly owned by the Principals and their affiliates (the “Affiliated GPs”) serve as general partners of various affiliated private pooled investment vehicles (“Affiliated Partnerships”) through which the Principals, their affiliates and one or more advisory clients of the Firm make and have made private equity, real estate and other private investments. The Affiliated Partnerships include Cotton Creek Investment Co., Ltd., RAZ Property Investments, Ltd., and BKB Capital, Ltd. The Firm provides, and may in the future provide, the services described in Item 4, Advisory Business and other services, to these and other Affiliated Partnerships. The Firm requires compliance preapproval of investments made by the affiliated partnerships to address the potential conflicts of interest presented by such investments.

Effective as of July 11, 2017, Hanover Hillcrest Holdings, LLC (formerly known as Brownlie & Braden, LLC) engaged in a restructuring whereby substantially all of its advisory business was transferred to other entities, including the Firm.

### **Focus Financial Partners**

As noted above, the Firm is part of the Focus LLC partnership. As such, the Firm is a wholly-owned subsidiary of Focus Operating, which is in turn a wholly-owned subsidiary of Focus LLC. Focus Inc. is the sole managing member of Focus LLC. Focus LLC also owns the other Focus Partners, most of which provide wealth management, benefits 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 ADV. The Firm does not believe Focus LLC partnership (or the existence of the other Focus

Partners) presents a conflict of interest with our clients. The Firm has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

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

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

### **Code of Ethics and Personal Trading**

The Firm, its affiliates, principals and employees are permitted to trade for their own accounts, and from time to time may buy or sell securities that the Firm trades or recommends for its clients. To avoid any potential conflicts of interest resulting from the personal trading of the Firm's principals and employees, and to avoid the misuse of material non-public information, the Firm has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 of the Investment Advisers Act of 1940.

The Firm's Code of Ethics requires, among other things, that its principals and employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Firm above one's own personal interests;
- Adhere to the fundamental standard that he or she should not take inappropriate advantage of his or her position;
- Avoid and/or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analyses, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the employee and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his or her professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

The Firm's Code of Ethics also generally requires principals and employees to: (1) review the Firm's "Restricted List" of companies or issuers prior to engaging in personal securities trading activity; (2) pre-clear certain personal securities transactions; (3) report personal securities transactions on at least a quarterly basis; and (4) provide the Firm with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code of Ethics.

A copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

## **Transactions Involving Conflicts of Interest**

The Firm may enter into transactions or arrangements with clients that may be viewed as matters involving actual or potential conflicts of interest. For example, clients may invest in private funds for which related persons of the Firm act as general partner. The Firm generally will review each transaction involving a material conflict of interest and take such steps as it deems necessary and/or appropriate under the circumstances to ensure that the terms of the transactions are fair and reasonable. The Firm generally will endeavor to affect these transactions in accordance with its fiduciary requirements and applicable law (which may include disclosure and consent).

## **Outside Activities**

The Firm's supervised persons generally are expected to devote their business time and efforts to the business of the Firm. Supervised persons generally must seek prior written consent of the Chief Compliance Officer before serving as a director, manager, partner, member, trustee, officer, employee or contractor of any outside company or organization or receiving compensation from any outside company or organization. Outside activities generally will be approved only if material conflict of interest issues can be satisfactorily addressed, resolved, disclosed and/or mitigated and any necessary disclosures are made to investors (as applicable).

## **Gifts and Entertainment**

The Firm's supervised persons may on occasion offer or accept gifts or invitations to entertainment but must always act in the best interest of clients and investors and avoid any activity that would create a material conflict of interest or impropriety in the course of the Firm's business relationships. The Firm's gifts and entertainment policy implements internal controls to monitor such activity, including requiring supervised persons to report to, or obtain prior approval from, the Chief Compliance Officer before accepting or providing gifts and entertainment of significant value from or to clients, prospective clients, investors, prospective investors or other persons doing business or desiring to do business with the Firm or its affiliates.

## **Political Contributions**

The Firm's Political Contributions Policy generally prohibits contributions to certain U.S. government officials, candidates, political parties and political action committees by the Firm and its covered persons, except as otherwise approved in advance by the Chief Compliance Officer.

## **Item 12: Brokerage Practices**

The Firm and its affiliates generally do not have discretion to select investments or brokers for client accounts but may suggest brokers to their clients based on the individual needs and objectives of the client. In suggesting brokers for any transaction or series of transactions, the Firm and its affiliates may consider a number of factors, including reputation, financial strength and stability, efficiency of execution, ability to execute difficult or complex transactions, on-line access to computerized data regarding clients' accounts, and other matters involved in the receipt of brokerage services generally. The Firm does not enter any soft dollar or other similar arrangements with broker-dealers.

Currently, the Firm has no directed brokerage arrangements. In the event that a directed brokerage arrangement is considered in the future, such arrangement would require approval by the Firm, and it will amend this brochure accordingly.

Due to the nature of the Firm's advisory business, the Firm generally does not aggregate transactions.

The Firm's allocation of investment opportunities among the Firm's client and investor base is influenced by factors such as time horizon, risk tolerance, liquidity needs, growth objectives and current income/cash flow needs. The Firm may identify some investments that it believes are appropriate for one client, but not for other clients. In each case, the Firm works to ensure that investment opportunities are allocated by the Firm among its applicable clients in a fair and equitable manner.

## **Item 13: Review of Accounts**

The Firm and/or its affiliates generally conduct reviews of client accounts on at least a quarterly basis. The level of review is determined by client need and/or the Firm's discretion. The review is triggered upon the receipt of interested third party copies of client statements/performance reports from third party managers or other financial institutions. The Firm generally conducts ongoing analysis and evaluation of the Firm's recommended investment managers (and investment funds managed thereby) as previously noted in Item 4 under "Types of Advisory Services - "Investment Advisory Services" of this brochure.

All of the Firm's supervised persons may perform reviews. The reviews are conducted to determine the accuracy, completeness, suitability and satisfaction of the client's stated objectives. Firm personnel generally involved in the review process include, but are not limited to the CEO, President, CIO, CCO and other Firm professionals.

Statements, confirmations, and performance reports are furnished from various financial service institutions/firms with which the client transacts business. These firms may include, and are not limited to, brokerages, investment companies, trust companies, other registered investment advisers, banks and credit unions. The Firm may assist clients in interpreting and/or reviewing statements/reports, etc. How often reports are sent by such financial institutions to the client depends on the various financial institutions/firms generating the reports. Typically, reports are sent monthly, quarterly, annually or, in the instance of confirmation reports, as transactions occur.

In addition, the Firm may prepare and furnish to clients, upon request, reports summarizing the client's portfolio holdings at various financial institutions, showing the client's overall asset allocation. Such reports may be furnished monthly, quarterly, or annually depending on the client's preference.



## **Item 14: Client Referrals and Other Compensation**

The Firm, in its capacity as an investment adviser, is legally permitted to receive fees from other registered investment advisers for referrals of clients to such advisers, although no such referral fee arrangements currently exist. The Firm would disclose to the client any fees or other compensation that it receives relating to any such referral arrangements, in advance in writing as required by regulatory authorities and relevant professional codes of ethics.

The Firm currently does not (i) compensate any unaffiliated person for client referrals or (ii) receive compensation from any unaffiliated person in connection with the referral of clients to such person. As described in response to Item 10 above, the Firm or an affiliate or predecessor thereof has in the past recommended that clients invest in CCCM funds and the Principals have financial interests in CCCM Funds. See Item 10 and Item 6.

The Firm's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include the Firm, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including the Firm. 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 the Firm. 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 the Firm 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 the Firm. 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:

Charles Schwab & Co., Inc.  
eMoney Advisors, LLC  
Envestnet Financial Technologies, Inc.  
Fidelity Brokerage Services, LLC  
Fidelity Institutional Asset Management LLC  
Orion Advisor Services, LLC

## **Item 15: Custody**

The Firm generally does not have actual or constructive custody of the funds and securities of its advisory clients. Related persons of the Firm are deemed to have custody with respect to Affiliated Partnerships in that they control and have access to the funds and securities of the Affiliated Partnerships.

With respect to Cotton Creek Investment Company, Ltd. and BKB Capital, Ltd, the Firm and/or its related persons rely on SEC staff guidance or positions that do not require the Firm or its related persons to comply with certain provisions of Rule 206(4)-2, the Custody Rule under the Advisers Act. In addition, consistent with the position taken by staff of the SEC's Division of Investment Management in a March 23, 2015 no-action letter to Edwin C. Laursen (16<sup>th</sup> Amendment Advisors LLC), RAZ Property Investments, Ltd. is not subject to a surprise examination or annual audit and certain other provisions of Rule 206(4)-2.

## **Item 16: Investment Discretion**

The Firm and its affiliates generally do not have discretionary authority to manage securities accounts on behalf of clients. In such instances, the Firm generally is not authorized to make any investment decision or implement any transaction with respect to any such advisory client without the prior approval of such advisory client in each instance. To the extent approved and authorized by such client, the Firm may be authorized to make or implement a transaction or an investment and select the broker, dealer, bank or other counterparty by or through which such transaction will be effected.

Notwithstanding the foregoing, in certain instances, the Firm or an affiliate may have discretionary power and authority to invest and reinvest all or a portion of the funds and securities held by advisory clients (subject to the terms and conditions set forth in the applicable advisory agreement and other governing documents). In such instances, the Firm has or may have authority (i) over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of such clients; and (ii) to determine the broker-dealer or other counterparty to be used for client transactions and the negotiation of commission rates and other consideration to be paid by such clients. Each client for which the Firm has investment discretion will be required to sign an investment advisory or other agreement that authorizes the Firm to manage and direct the investment and reinvestment of client assets, with discretion to make investment decisions on the client's behalf and at the client's risk. Any such discretionary authority is limited by the terms of the investment advisory or other agreements and the investment guidelines, restrictions and limitations imposed on the management of a client's account.

## **Item 17: Voting Client Securities**

The Firm generally does not have the authority to vote proxies and other securities on behalf of its clients. Instead, the obligation to vote client proxies generally rests with the client, or the clients' other financial advisers. The Firm is not deemed to have proxy-voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

Nevertheless, in the event that the Firm is called upon to vote proxies, it will vote such proxies in accordance with the proxy voting policies and procedures set forth in the Firm's compliance manual.

Should the Firm inadvertently receive proxy information for a security held in a client's account, the Firm makes a good faith effort to forward such information to the client in a timely manner, but does not take any further action with respect to the voting of such proxy.

The Chief Compliance Officer coordinates the Firm's proxy voting process. The Firm's Proxy Voting Policy outlines proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately. Clients may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

## **Item 18: Financial Information**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. The Firm has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.