

# Capital Preservation

## PARTNERS

55 Pondfield Road Bronxville NY 10708

Phone: 914-337-2272

Fax: 914-798-6672

E-Mail: Pereira@cpc.bz

## Agreement for Wealth Management Services

- A. **PARTIES** This Agreement is made between \_\_\_\_\_ (“Client”) and **Capital Preservation Partner Inc.** (“Advisor”), whose principal office is located at 55 Pondfield Road, Bronxville NY 10708.
- B. **INTENT** Client agrees to hire Advisor to provide Client with wealth management services. Advisor agrees to perform these services for Client. Both parties intend to be legally bound by this Agreement.
- C. **TERM** This Agreement shall remain in force as long as mutually agreed to by Client and by Advisor. This Agreement may be terminated at any time, by either Client or by Advisor, for any reason, upon 30 days written notice to the other party. Upon termination, Advisor agrees to refund to Client that portion of Client's prepaid fee for which no services have been provided.
- Client may terminate this Agreement and receive a full refund of all fees paid to Advisor by giving written notice within five days after the date of this Agreement.
- D. **CONFIDENTIALITY** All information furnished by Client to Advisor, including Client's identity, shall be treated as confidential. Advisor agrees not to voluntarily disclose confidential information without Client's prior consent (unless required by law, court order or agency directive, or unless Advisor expects, in its reasonable opinion, that it will be compelled by a court or government agency, or unless such information becomes publicly available or known other than as a result of actions of Advisor). In the event Advisor is compelled to disclose confidential information by legal process, Advisor will attempt to give prior written notice to Client.
- E. **FEE-ONLY GUARANTY** Advisor agrees to restrict its compensation solely and exclusively to the professional fees it receives directly from its clients for professional services rendered to its clients. Whenever Advisor recommends that Client own a specific financial product, or utilize the services of a specific custodian, Advisor and its employees will not accept any sales commissions, prizes, vacation trips, gifts or meals valued in excess of \$100 from those specific financial product vendors or custodians.
- F. **FIDUCIARY OATH** Advisor shall exercise its best efforts to act in good faith and in the best interests of Client. Advisor shall provide written disclosure to Client prior to the engagement of Advisor and thereafter throughout the term of the engagement, of any conflicts of interest which will or reasonably may compromise the impartiality or independence of Advisor

Advisor, or any party in which Advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any Client purchase or sale of a financial product. Advisor does not receive a fee or other compensation from another party based on referral of Client or Client's business.

G. **INVESTMENT PHILOSOPHY** Advisor typically follows a 7-step wealth management process described in paragraph H of this contract. Following this process typically results in a comprehensive financial plan, which quantifies the rate-of-return needed to achieve Client's goals. That rate-of-return goal is then used to design a portfolio. Advisor's investment philosophy is based on Modern Portfolio Theory, which holds that asset allocation is a primary determinant of investment planning. Advisor calculates Client's customized "target asset allocation," which is a portfolio designed to accommodate Client's unique constraints, and expected to achieve Client's rate-of-return goal, while minimizing unnecessary risk. This customized target asset allocation is documented in Client's written investment policy statement, signed by both Client and Advisor

Advisor typically implements Client's target asset allocation using no-load, institutional asset class mutual funds. Advisor may also use "actively managed" mutual funds, individual securities, and non-traditional investment products. It is not Advisor's typical investment strategy to attempt to time the market. However, with Client's written authorization, Advisor may change its investment strategy to accommodate special situations like: low-basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, special tax situations. Clients authorize Advisor to use its discretion (based on investment costs, tax efficiency, product availability, and new product introductions) when implementing Client's target asset allocation.

Typically, Advisor reviews Client's portfolio on a monthly basis by measuring the risk level, rate-of-return, and market value. Periodically, and following significant market moves, Advisor rebalances Client's actual portfolio back to Client's target asset allocation, if the trades are expected to result in a benefit to Client. Quarterly, Advisor provides Client with performance reports that track Client's portfolio's historical rate-of-return, risk level, and market value. During Client's annual review meeting, Advisor re-educates Client about prudent investing, gives the past year's results for the asset classes owned by Client, and may provide information on new investment products and services, and new academic research that affects Client. Clients re-educate Advisor, too, updating their financial status, objectives, and constraints, and focusing on any changes since the last meeting. All of this is used to update Client's wealth management strategy, which includes the rate-of-return goal, risk tolerance level, and Client's written investment policy statement. Finally, if it is expected to result in a benefit to Client, Advisor reallocates Client's portfolio. Advisor calculates a "target asset allocation," expected to achieve Client's newly updated rate-of-return goal, designed for Client's unique objectives and constraints.

H. **DESCRIPTION OF SERVICES** Client and Advisor each have duties and obligations under this Agreement. By signing this Agreement, Client and Advisor agree to perform the following:

**Advisor agrees to deliver the following 7-step wealth management process:**

1. **DEFINE** how Advisor will work together with Client
2. **LEARN** about Client and Client's goals
3. **ANSWER** Client's questions
4. **ANALYZE** financial planning strategies to help Client make informed decisions
5. **IMPLEMENT** the investment counsel strategy that best achieves Client's goals
6. **MEASURE, MANAGE, and REPORT** to Client the progress towards Client's goals
7. **UPDATE** Client's strategy to accommodate changes

**Client agrees to:**

8. Complete the data gathering form, initially and from time to time as requested.
9. Provide all documents and information requested.
10. Authorize third parties to disclose Client's confidential information to Advisor
11. Provide Advisor with written authorization whenever Client wishes Advisor to disclose Client's confidential information to third parties.
12. Inform Advisor promptly of changes in Client's personal financial situation.
13. Participate in review sessions annually, unless otherwise agreed, in order to update Client's financial planning strategies and to sign Client's updated Investment Policy Statement.
14. Encourage Client's other professional advisors to participate in Client's review sessions

I. **IMPLEMENTATION AUTHORITY** Client agrees to sign appropriate "Limited Powers of Attorney" or "Trading Authorizations" as may be required by Client's custodian(s). Advisor agrees to limit Client's securities transactions (ie buying and selling financial products) solely to those transactions which are appropriate for implementing Client's written Investment Policy Statement. *Client understands that Advisor will execute trades without prior consultation with Client.*

J. **FEES AND EXPENSES** As compensation for the wealth management services that Advisor will provide to Client during each forthcoming quarterly time period, Client agrees to pay to Advisor a fee on the first business day of each calendar quarter. Unless otherwise agreed, the following fee schedule will apply:

**Our asset management fee is a flat 1% of assets under management per year.**

**0.25% charged per quarter in advance.**

Advisor typically provides wealth management services to clients who have more than \$500,000 of Wealth Under Management. "Wealth Under Management" is defined to include: all investments and securities (including both taxable and tax-deferred), trusts, stock options, retirement plans, IRA's, custodial accounts, investment real estate, limited partnerships, LLCs, and variable insurance products. "Wealth under management" does not include: Client's personal use assets (such as residences and vehicles), collectibles (such as artwork and coins), defined benefit retirement plans, social security benefits, certain real estate, and closely held business interests. Client's fee will be determined by combining the fair market value (measured on the last business day of the prior calendar quarter) of all of Client's wealth under management. As Client's assets actually get transferred over to our control, or whenever Client makes a deposit in excess of \$100,000, partial time periods will be billed proportionally. Clients who choose to have multiple investment strategies (including multiple portfolio designs, multiple implementations and multiple reviews, rebalancings, reports, revisions, and reallocations) will pay multiple quarterly fees, and will not have their assets under management combined to determine their fees. Client agrees to authorize custodian(s) of Client's money, to withdraw fees from Client's account(s) and then electronically transfer these fees to Advisor, unless otherwise agreed.

**CUSTODY OF ASSETS** Client agrees to select and then legally appoint custodian(s) to take possession of Client's "Assets under Management." To ensure that Advisor has no conflict of interest, Advisor will not serve as Client's custodian, and Advisor will not select Client's custodian(s).

**K. COMMINGLING OF ASSETS** Advisor agrees to keep Client's "Assets under Management" in segregated account(s) under Client's (or Client's family members', or Client's trusts', or Client's custodians') sole ownership. Advisor agrees not to commingle Client's "Assets under Management" with other Advisor clients' assets Advisor has under its supervision or control, and further agrees not to commingle Client's "Wealth under Management" with Advisor's own assets.

**DISCLOSURES** Advisor will make securities transactions for its own accounts. Note that Advisor has a potential conflict of interest here, since Client and Advisor may be selling (or buying) the same financial product at the same time. To address this conflict of interest, Advisor agrees, to the extent within its control, not to favor itself to Client's financial detriment. Advisor agrees to keep complete records of all such securities transactions, as required by SEC regulation.

Advisor recommends that Client complete and implement a written comprehensive personal financial plan before investing Client's money. Advisor recommends that this plan be prepared by Advisor, or by another competent, credentialed and objective financial advisor. One of the steps during Client's planning process will be to *calculate* the specific target rate-of-return that should achieve Client's long term financial goals, subject to Client's assumptions and constraints. If Client elects not to do this step, then Client will have to *choose* a target rate-of-return. If Client chooses a target rate-of-return that is too high, Client will likely suffer from unnecessary risks. If Client chooses a target rate-of-return that is too low, Client will likely suffer by having insufficient wealth to achieve Client's long term goals. Advisor recommends an annual review of Client's personal financial plan, so that Client's target rate-of-return can be prudently updated.

Advisor recommends that Client's analysis include all of Client's financial information, as requested in the data gathering form. If Client elects to exclude any of Client's financial information from Advisor's analysis, then Client's specific wealth management strategy will likely suffer from unnecessary risks (if the excluded information results in an inefficiently diversified portfolio), or from having insufficient wealth to achieve Client's goals (if the excluded information results in Client's overall portfolio earning a rate-of-return that is too low).

Advisor recommends that Client retain Advisor to implement Client's entire wealth management strategy. If Client elects not to retain Advisor to manage all of the Client's investable wealth (taxable and tax-deferred investments and securities, trusts, stock options, retirement plans, IRA's, custodial accounts, investment real estate, limited partnerships, LLCs, and variable insurance products), then Client may suffer from unnecessary risks (if the unmanaged wealth is not efficiently diversified with, or is not continually rebalanced with, the rest of the Client's wealth under management with Advisor), or, from having insufficient wealth to achieve Client's goals (if the unmanaged wealth earns a rate-of-return that is too low). Since Advisor does not provide investment performance reports on any of the unmanaged wealth, Client may not even know if the rate of return is too low on Client's unmanaged wealth, or when Client's risk is too high on unmanaged wealth. Note that Advisor has a potential conflict of interest here, since the fees that Client pays to Advisor would be reduced if Client elects not to retain Advisor to manage all of the Client's investable wealth.

Whenever Client owns mutual funds Client acknowledges that Client may pay fees to three separate entities on every dollar invested. First, Client will pay a fee to Advisor for wealth management services, which may include a recommendation of the specific dollar amount Client should invest in each specific mutual fund. Second, Client may pay a transaction cost (sales

commission) to Client's custodian each time Advisor issues trading instructions to buy/sell a security in Client's account. Client may also pay custodian for other services rendered, (ie asset transfers, margin loans, personalized check printing). Third, Client will pay annual expenses to each mutual fund. Mutual funds charge "annual expenses" to pay their own operating costs (ie prospectus printing), to compensate their own advisors and to make a profit. Client may also pay reimbursement and/or transaction fees that are deposited directly into certain mutual funds.

Advisor may receive research services, computer software, technical advice, publications, electronic data base updates, marketing materials, services, or other "soft dollar" compensation, and referrals of prospective clients from certain financial product vendors and from certain financial services professionals. This may influence Advisor's recommendations to Client in favor of doing business with these certain vendors and professionals. Specifically, Advisor may recommend that Client place orders for the execution of securities transactions through certain vendors, which "directed brokerage" may result in Client paying higher commissions or transaction costs than Client would have paid to another vendor. Further, Advisor may recommend Client do business with certain professionals that charge higher fees to Client than would have been charged by another professional. Advisor agrees to use its best efforts to act in Client's best interests.

- L. **INDEMNITIES** Client acknowledges that Advisor's investment recommendations involve some degree of risk. Client acknowledges that all investment activity in Client's "Assets under Management" shall be at Client's own risk, which can result in loss of Client's investment capital, annual income, and/or tax benefits. Client acknowledges that Advisor will not reimburse Client for any losses.

Client acknowledges that Advisor does not claim to be able to accurately predict the short term future investment performance of any individual security or of any asset class. Client acknowledges that Advisor makes judgmental evaluations before recommending specific investment opportunities to Client. In making judgmental evaluations, Advisor agrees to use its best efforts to review sources of information that it has found to be valuable, accurate and reliable. Client acknowledges that Advisor cannot and does not survey all sources of publicly available information. Client acknowledges that Advisor is not responsible for the accuracy or completeness of information furnished to Advisor by Client or by any other party. Client acknowledges that the Securities and Exchange Commission restricts Advisor's use and communication of material nonpublic information.

Client may purchase financial products (ie insurance, securities) and financial services (ie bank, trust, custodial, broker/dealer) from various salespersons. Client agrees that Client's salespersons shall be solely responsible, and that Advisor is not responsible, for the accuracy and completeness of verbal and written representations and guarantees, paperwork concerning Client's purchases and sales, and for all communications with Client.

**THE FEDERAL SECURITIES LAWS IMPOSE LIABILITIES UNDER CERTAIN CIRCUMSTANCES ON PERSONS WHO ACT IN GOOD FAITH. NOTHING HEREIN SHALL IN ANY WAY CONSTITUTE A WAIVER OR LIMITATION OF ANY RIGHTS WHICH CLIENT OR ADVISOR MAY HAVE UNDER ANY FEDERAL SECURITIES LAWS.**

- M. **NON-EXCLUSIVE AGREEMENT** Client acknowledges that Advisor provides wealth management services to more than one client. Client acknowledges that transactions in a specific security may not be accomplished for all client accounts at the same price or at the same time. Advisor may give different advice and may take different investment actions for different clients. Further, Advisor may give different advice and may take different investment actions for its own corporate investments, or for the individual investments of Advisor's owners, directors, affiliates, employees, or its own employees' ERISA retirement plan.
- N. **REPRESENTATIONS** Client represents that Client has contractual capacity to retain Advisor to manage Client's "Assets under Management," and that nothing in this Agreement violates any documents governing Client's account. Client agrees to furnish Advisor with true copies of all governing documents.
- O. **GOVERNING LAW** The validity, interpretation, and performance of this Agreement shall be governed by and construed under the laws of the State of New York as long as the state law does not conflict with federal securities laws.
- P. **VOTING OF PROXIES** Client agrees to be responsible for the voting of all proxies for the securities included in Client's "Assets under Management."
- Q. **ASSIGNMENT** This Agreement is not assignable without prior written consent of both Client and Advisor.

- R. **NOTICE AND COMMUNICATIONS** Written notices required under this Agreement shall be sent by mail and shall be deemed given when received at the parties' respective addresses indicated on page one of this Agreement, or as to the custodian, at such address as it may specify to Advisor in writing. Either party must notify the other party in writing of a different address. Oral instructions are acceptable for securities transactions. Advisor may rely on any notice from any person reasonably believed to be genuine and authorized.
- S. **NON-WAIVER** Failure of either party to object to or take other action with respect to any conduct of the other party that may be a breach of this Agreement shall not be deemed a waiver of any such breach or of any future breach or wrongful conduct.
- T. **SEPARABILITY** If any provision of this Agreement or its application to any person or circumstance is found to be invalid or unenforceable, the remainder of this Agreement or the application of that provision to other persons or circumstances shall not be affected and shall remain in full force and effect.
- U. **ENTIRE AGREEMENT** This Agreement contains the entire understanding of the parties. Any oral understandings are incorporated and merged in this Agreement. No representations were made or relied upon by either party except as set forth. This Agreement may not be changed unless both Client and Advisor agree to the change in writing.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Anthony Pereira Date

\_\_\_\_\_  
Michael Hymes Date