

**Item 1: Cover Page**

**Bradley, Foster & Sargent, Inc.**

185 Asylum Street, CityPlace II  
Hartford, Connecticut 06103

July 16, 2018

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**This brochure provides information about the qualifications and business practices of Bradley, Foster & Sargent, Inc. If you have any questions about the contents of this brochure, please contact us at 860-241-4648 or [jkirschner@bfsinvest.com](mailto:jkirschner@bfsinvest.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 Bradley, Foster & Sargent, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Bradley, Foster & Sargent, Inc. is registered with the SEC as an investment adviser; however, such registration does not imply a certain level of skill or training.

**Item 2: Material Changes**

Item 14 B: Participation in Fidelity Wealth Advisor Solutions

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

Bradley, Foster & Sargent, Inc. is a corporation organized under the laws of the State of Connecticut. We are registered with the SEC as an investment adviser. We have been in business since July 1994. Our fiscal year ends on December 31.

As of December 31, 2017, we had fifteen principal owners:

Robert H. Bradley (ownership greater than 25%)  
Cameron H. Burns  
Nancy W. Donadio  
Timothy H. Foster  
John R. Gilbert  
Charles J. Herbert  
David P. Korzendorfer  
Keith G. LaRose  
Felicia M. Lazor  
Jeffrey G. Marsted  
Gregory M. Miller  
William R. Peelle, Jr.  
Robert A. Penney  
Thomas D. Sargent  
Stephen L. Willcox

All of our principal owners are also employees.

We provide investment advisory services for individuals, families, non-profits, institutions, a mutual fund and a private investment fund. These services constitute approximately 99% of our total advisory billings. We also provide investment advice through consultations, which totals about 1% of our billings.

We purchase for our clients' portfolios and offer advice on equity securities, including exchange-listed securities, securities traded over-the-counter, and foreign issuers. We also purchase for our clients' portfolios and offer advice on warrants, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, mutual fund shares, United States government securities, options contracts on securities, and publicly quoted partnerships investing in oil and gas interests.

Our approach is to develop, implement and monitor investment programs to create individualized portfolios structured to address each client's specific requirements, which may include client imposed restrictions on investing in certain securities or types of securities. At the outset of each relationship, we seek to understand the personal goals and unique circumstances of our clients and to discuss the client's requirements and objectives, as well as our recommended approach, to ensure that the ensuing relationship will be based upon a shared understanding of what we can offer and what the client can expect.

As of December 31, 2017, we managed 3070 accounts, including the BFS Equity Fund, a registered investment company (the “BFS Equity Fund”), and Crystal Partners Fund Limited Partnership, a private investment fund (the “Crystal Partners Fund”). As of December 31, 2017, we managed approximately \$3.59 billion in assets, comprised of 3,049 discretionary accounts, totaling approximately \$3.52 billion, and 21 non-discretionary accounts, totaling approximately \$68.34 million.

Our standard business hours are Monday through Friday, from 8:00 a.m. to 5:00 p.m. As of December 31, 2017, we had 38 full-time employees and one part-time employee. Of the 38 full-time employees, 20 performed investment advisory functions (including research). We also sponsor an internship program. Two to four interns are employed on a part-time basis during each fall and spring semester, with three to four interns employed full-time during the summer.

We are required by law to keep books and records, most of which are kept on our premises. However, we do maintain books and records older than two years at Iron Mountain, which is a third-party unaffiliated record-keeper. Iron Mountain is located at 1100 Kennedy Road, Windsor, Connecticut 06095, direct phone 860-298-3400.

## Item 5: Fees and Compensation

We are compensated for our investment advisory services based on a percentage of the assets under our management. Investment management fees are billed quarterly in arrears. The amount billed is calculated based on the valuation of the cash and securities in a client’s portfolio as of the last business day of March, June, September and December.

For most individually managed accounts, we assess fees based on two different fee schedules:

- For client relationships in existence prior to January 1, 2008, we assess fees quarterly as follows: .25% of the first \$1 million of assets under management, .1875% of the next \$1 million and .125% of the remaining balance. (This is equivalent to annual rates of 1.00% of the first \$1 million of assets under management, .75% of the next \$1 million and .50% of the remaining balance.)
- For client relationships starting on or after January 1, 2008, we assess fees quarterly as follows: .25% of the first \$2 million of assets under management, .1875% of the next \$3 million and .125% of the remaining balance. (This is equivalent to annual rates of 1.00% of the first \$2 million of assets under management, .75% of the next \$3 million and .50% of the remaining balance.)

The minimum annual fee for an account relationship is \$5,000.

Fees are negotiable for individually managed accounts.

Clients may cancel investment management contracts with us at any time with pro rata fees due upon cancellation.

Client assets are held by a custodian. A custodian is usually a bank or brokerage firm which has custody of a client’s assets, collects interest and dividends and settles security trades. For

approximately 87% of our clients, we are authorized to deduct our investment management fee directly from the client's custodial account. In these cases, we also forward the confirming invoice to the client. For the remaining 13% of our clients, we send an invoice directly to the client. Clients may choose either method of billing. (See *Item 15: Custody*.)

If two or more accounts are being billed to the same source or if we consider them to be affiliated accounts, we calculate fees on the basis of the combined valuation of assets. We then bill each account proportionally, based on the asset value of the individual valuation.

Clients will incur brokerage and other transaction costs. (See *Item 12: Brokerage Practices*.)

We are also compensated for our investment advisory and consulting services to several law firms which utilize our services to supervise and manage portfolios. Fees for these services are negotiable. For a small number of portfolios, we provide investment management services on a non-discretionary basis. These fees are negotiable.

Our private investment fund, the Crystal Partners Fund, charges a management fee equal to 0.25% of the net asset value of the fund on the last business day of each calendar quarter, payable quarterly in arrears (for a cumulative fee of 1.00% per annum). This management fee may be waived or reduced at our discretion, in our capacity as the general partner of the Crystal Partners Fund. We have waived fees for our employees and their immediate family members invested in the Crystal Partners Fund. We do not charge a separate management fee for those client assets invested in the Crystal Partners Fund.

The equity mutual fund for which we provide investment advisory services, BFS Equity Fund, charges a management fee of 0.75% per annum, based on the BFS Equity Fund's average daily net assets, subject to a fee waiver agreement. We do not charge a separate management fee for those client assets invested in the BFS Equity Fund.

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

We do not charge or accept performance-based fees (i.e., fees based on a share of capital gains on, or capital appreciation of, the assets of a client.) Therefore, we do not have any information to disclose under this Item.

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

### *Types of Clients*

As of December 31, 2017, we provided investment advisory services to 1,369 clients, including the BFS Equity Fund and the Crystal Partners Fund.

More than 45% of our clients are high net worth individuals. High net worth individuals typically have investable assets, including trusts, estates, and 401(k) plans and IRAs of their own and their family members, in excess of \$1 million.

Additionally, we provide investment advisory services to trusts, estates, bank trust departments, 401(k) plans and separate accounts for participants in 401(k) plans, pension and profit sharing

plans (other than plan participants), charitable organizations, corporations, limited partnerships, and an investment company. Each of these types of clients is less than 10% of our total clients.

### ***Account Requirements***

There is no stated minimum account size for separately managed accounts; however, clients referred to us through the Schwab Advisor Network™ (the “Schwab Service”) have a stated minimum account size of \$500,000, while clients referred to us through the Fidelity Wealth Advisor Solutions Program (the “Fidelity Program”), have a stated minimum account size of \$250,000.

The Crystal Partners Fund has a minimum subscription amount of \$100,000 and the BFS Equity Fund has a minimum initial investment amount of \$1,000.

We have the discretion to waive or reduce the minimum account requirements for both our separately managed accounts and our pooled investment vehicle.

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

Each of our clients has a unique set of investment goals and objectives. Asset allocation is, therefore, the first step in determining how the client’s portfolio or portfolios are structured in order to take into account a client’s goals in regard to capital preservation, growth, income, taxes, and risk. We seek to design a portfolio that is tailored to the individual needs of each client.

Our portfolio managers strive to make wise and well thought out investment selections that meet our clients’ goals and risk profile. In so doing, we strive to manage the inherent risks in investing in stocks and bonds and at the level which our clients understand and are prepared to accept. But, it is important to emphasize that investment performance can never be guaranteed. Investing in securities involves risk of loss that clients should be prepared to bear.

### **Investment Philosophy**

We generally invest for the long term. Our first priority is always capital preservation. We utilize fundamental analysis to invest in sound companies with identifiable prospects for earnings growth, when the stocks of these companies can be purchased at what we believe to be reasonable valuations. We believe in broad diversification within portfolios. Our investment philosophy may be summarized by the following five tenets: capital preservation, commitment to equities, reasonable prices, diversification, and ineffectiveness of market timing.

### ***Capital Preservation***

To preserve wealth, we begin by setting asset allocation guidelines among equities, fixed income instruments, and cash. Each portfolio is structured to take into account a client's approach to risk and reward, investment time horizons, market volatility for different asset classes, income needs, and tax considerations. These benchmarks are reviewed on an ongoing basis, and adjusted as necessary. Generally, the greater a client's desire to emphasize capital preservation, the larger the percentage of the portfolio that is allocated to fixed income instruments and cash reserves; the greater a client's desire for capital appreciation, the greater the proportion of the portfolio that is allocated to equities.

### ***Commitment to Equities***

Common stocks remain the most effective means of significantly outpacing inflation, and are the best vehicle for maintaining purchasing power over time. Accordingly, we believe that a portion – however modest – of most clients' assets should be dedicated to sound common stocks.

### ***Reasonable Prices***

To moderate risk and achieve the potential of capital appreciation in our equity portfolios, we adhere to pricing disciplines. We seek to buy quality growth companies at what we perceive to be reasonable prices, providing a "margin of safety." In some circles, this investment approach is called GARP – Growth at a Reasonable Price.

### ***Diversification***

Prudent diversification to moderate risk is reflected in our portfolios. For portfolios of \$1 million or more, we generally hold 25 or more stock positions diversified among attractive industries, depending on the size of the portfolio.

### ***Ineffectiveness of Market Timing***

We do not believe that it is possible to predict future stock market movements with any degree of consistency; thus, we do not operate as market timers. Rather, we rely on the specific asset allocation guidelines that we establish for each client, review these guidelines on an ongoing basis and make individual judgments to suit the needs of each client. Each client's portfolio generally has a target asset allocation range of 20-30%. This provides the flexibility that we believe is necessary to deal with periods of extreme valuation within the investment market.

### ***Investment Process***

One of the central elements of our investment process is what we refer to as the "Guidance List." Our Ethics Policy and Standards of Professional Conduct (the "Ethics Policy") states that portfolio managers can only purchase stocks for client accounts that are on the Guidance List (unless the client directs the purchase of a stock not on the Guidance List).

We have an investment committee comprised of portfolio managers, research analysts, and traders (the "Investment Committee"), which approves each stock's inclusion on the Guidance List. There

are generally 300 or more stocks on the Guidance List, with new stocks added and others deleted on a regular basis.

The Investment Committee identifies stocks for the Guidance List utilizing both quantitative screening and qualitative techniques. Members of the Investment Committee use a combination of technical analysis, including charting and cyclical methods, and fundamental analysis to analyze stocks.

Before approving any stock for the Guidance List, the Investment Committee analyzes the company for fundamental characteristics. Companies that merit inclusion on the Guidance List must show certain fundamental characteristics that we believe enable their business to perform well even in times of adversity.

We also use event-driven purchasing and selling as a component of the investment process. When events negatively impact the price of a stock, industry or the market as a whole, valuation can be driven down unreasonably. Such events may present an opportunity to buy a quality stock on our Guidance List at a favorable price. A particular event may also cause a decision to sell a holding.

When taking investment action for a specific portfolio or client, our portfolio managers seek to take into account the investment objectives of the client, the characteristics of the investment involved, and the basic characteristics of the total portfolio. Our portfolio managers strive to use reasonable judgment to determine the relevant factors.

Our portfolio managers seek to exercise diligence and thoroughness in the purchase and sale of all securities for the portfolios of clients. This means that there will be a reasonable and adequate basis for taking investment action, supported by appropriate research and investigation.

We rely on several main sources of information, including financial newspapers and magazines, corporate rating services, annual reports, prospectuses, and filings with the SEC, and company press releases. In addition to the daily efforts of the research department, our investment professionals also perform original research, which includes on-site company visits and personal meetings with management. Our investment professionals also attend investment conferences and receive research reports from many major investment houses and regional brokerage firms.

In implementing our investment strategies, we generally purchase for clients' portfolios a preponderance of large capitalization U.S. stocks for the equity portion of their portfolios. However, depending on each client's circumstances and objectives, we may utilize small and mid capitalization stocks, as well as international stocks (ADRs as well as emerging market ETFs).

As part of the fixed income strategy, we often recommend government, tax exempt, and corporate bonds, real estate investment trusts, master limited partnerships, open-end mutual funds investing primarily in bonds, and closed-end funds investing primarily as bonds. These securities are considered for the dividends and interest paid. Many of these securities are traded on national exchanges and may experience price volatility similar to pure equity securities.

Our portfolio managers generally invest for the long-term in a client's portfolio, typically seeking to sell securities which are held at a profit in taxable accounts after they have been held for at least a year. However, in various appropriate circumstances and especially in portfolios which are tax-

free or tax-deferred, we will sell securities which are held for less than a year. While we do not let tax considerations dominate our investment decisions, we strive to work with our clients to minimize taxes.

We rarely use short selling, buying on margin and option writing. When we do, it is only at the client's request. Less than 1% of our clients were utilizing these investment management tactics as of December 31, 2017.

### **Material Risks**

Regardless of the thoroughness of our investment analysis, investing in equities and bonds always involves an estimation of what will happen in the future, and, as with any forward looking analysis, it can be proved wrong by future events. When our purchase or ownership of securities is proved wrong by future events, we seek to make wise decisions about whether to sell a security or hold onto it in the belief that circumstances will improve. Each decision involves the risk of being wrong and the risk of losing money on that decision.

Stock markets can be volatile. In other words, the prices of stocks can rise or fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. Common stocks tend to be more volatile than other investment alternatives. The value of an individual company can be more volatile than the market as a whole.

Risks related to fixed income securities include credit risk and interest rate risk. Credit risk is the chance that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Interest rate risk is the chance that security prices will decline because of rising interest rates.

### **Item 9: Disciplinary Information**

We have not been involved in any legal or disciplinary events. Therefore, we do not have any information to disclose under this Item.

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

In our capacity as the general partner of the Crystal Partners Fund, we provide investment advice and investment management services to that fund. Thomas D. Sargent, a principal, manages the investment portfolio of the Crystal Partners Fund. The investment objective of the Crystal Partners Fund is to seek long term capital appreciation through investing in small and mid capitalization stocks. We manage the investment portfolio in accordance with the same standards and priorities as each client portfolio.

We provide investment advice and investment management services to the BFS Equity Fund. Timothy H. Foster, a principal, is the lead portfolio manager of the fund. Keith G. LaRose and Thomas D. Sargent are the co-portfolio managers of the BFS Equity Fund. The investment objective of the BFS Equity Fund is to seek long term appreciation through growth of principal and income through investing in mid and large capitalization stocks. We manage the BFS Equity

Fund's investment portfolio in accordance with the same standards and priorities as each client portfolio.

We allocate securities in accordance with procedures we have adopted. We treat all client accounts fairly and equitably so that no one client account receives preferential treatment over another. We do not allocate or reallocate any order to enhance the performance of one account over another account, or favor any account in which a portfolio manager, principal, or other related person has any vested interest.

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

We are dedicated to serving each client professionally, courteously, confidentially, and ethically. All of our employees are expected to act in an ethical manner in all dealings with our clients, the public, the media, prospective clients, suppliers, other employees, and other members of the investment community, consistent with our Ethics Policy.

Our Ethics Policy covers, among other things, personal securities transactions by all our employees for their own account, a personal account of a member of the employee's household as well as a personal account of a minor child not residing with him or her, and accounts in which an employee has a material (i.e., 5% or greater) direct or indirect beneficial interest and can influence investment decisions, whether or not the employee or accountholder pays a fee. Our Ethics Policy is designed to ensure that our clients are not disadvantaged by our own personal trading or that of our employees.

Our employees are permitted to purchase and sell the same securities which are bought and sold for client accounts. Our management has established procedures to ensure that transactions for clients have clear priority over transactions in securities for those accounts in which employees have a beneficial ownership. Our Ethics Policy stipulates the following in this regard: "As investment managers, we have a fiduciary relationship with our clients and as such, we place our interests – individually and collectively – subordinate to those of our clients. This applies to both individual and institutional clients as well as to shareholders of mutual funds (investment companies) which we may from time to time manage. This requires that all Employees will execute their personal securities transactions in a manner consistent with our Ethics Policy and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility."

Our Chief Compliance Officer is responsible for the administration of the Ethics Policy. Our President is responsible for the enforcement of the Ethics Policy. The Chief Compliance Officer reviews and receives all documentation pertaining to securities trading and holdings required by the Ethics Policy. All employees are required to report possible violations of the Ethics Policy. The Chief Compliance Officer reviews and investigates any reported or suspected violations of the Ethics Policy and reports the events and any findings to the President. If an investigation discloses that there has been a violation, the President will take appropriate action. Because all situations cannot be contemplated or provided for in advance, the President has the authority to permit

exceptions to the policies and procedures in the Ethics Policy when an exception is not harmful to the best interests of our clients or does not give the appearance of a conflict of interest.

We place the following restrictions on employees when executing securities transactions for accounts in which they have a beneficial interest:

Portfolio managers are only permitted to purchase for clients' accounts stocks that are on the Guidance List (unless the client directs the purchase of a non-Guidance List stock).

All employees must generally pre-clear trades of Guidance List stocks for personal accounts with the Chief Compliance Officer, to ensure that these trades avoid potential conflicts of interest with a client's trade. In addition, purchases of units of the BFS Equity Fund by employees require pre-clearance. Pre-clearance requirements apply also to the Bradley, Foster & Sargent, Inc. 401(k) Plan equity portfolio that we manage, and our corporate accounts. Pre-clearance requirements do not apply to limited partnerships or limited liability companies such as the Crystal Partners Fund, as long as the total ownership by our officers and staff does not exceed 15% of the total ownership of the entity. Pre-clearance is not necessary for "de minimis" transactions, including:

- all equities, and puts and calls of equities, which are not on the Guidance List;
- shares of open-end investment companies (mutual funds), including those an employee held in a 401(k) account administered/managed by his or her former employer or in a section 529 college fund (this does not include the BFS Equity Fund (BFSAX), where pre-clearance is required);
- exchange traded funds which are not on the Guidance List;
- direct obligations of the U.S. Government, including its agencies and instrumentalities;
- CDs and other money market instruments;
- corporate (non-convertible) and municipal bonds which are not on the Guidance List;
- equities acquired by a spouse through his or her employer's stock option plan or stock purchase plan;
- equities acquired as a result of dividend reinvestment, the exercise of rights issued by a company, participation in mergers and reorganizations, and the expiration of forfeiture provisions (restricted stock awarded by a former employer) and
- securities created as the result of spin-offs of Guidance List securities, if sold within 60 days of the initial trading of the security.

Employees are prohibited from purchasing any security in an initial public offering for a personal account. Employees are prohibited from purchasing a private placement security without the prior approval of the President. Employees are also prohibited from participating in cross trades in which Clients are participating. The Investment Committee may not place a security on the Guidance List within seven days of an employee purchasing the same security for a personal account.

Employees are prohibited from engaging in short-term trading of securities on the Guidance List. Short-term trading is the purchase and sale of the same security within 30 days. However, should a short-term trade occur, any profits realized on buys and sells

within 30 days are required to be disgorged. Employees, with the pre-approval of the Chief Compliance Officer, may sell securities within 30 days of purchase. This prohibition on short-term trading does not apply to Crystal Partners Fund or the Bradley, Foster & Sargent, Inc. 401(k) Plan equity fund because they are treated as client accounts.

Employees are prohibited from engaging in opposite-way trading. Opposite-way trading is the purchase of a security for all or substantially all clients and the sale of the same security from a personal account, or the sale of a security for all or substantially all clients and the purchase of the same security for a personal account, within a 30-day period.

After obtaining pre-clearance, a portfolio manager may buy for his or her personal account any large capitalization security on the Guidance List on the day preceding or following the day on which he or she buys or sells the same security for his or her client's portfolio.

Additionally, after obtaining pre-clearance, a portfolio manager may buy or sell for his or her personal account any large capitalization security on the Guidance List on the same day he or she buys or sells the same security for a client, as long as one of the two following procedures is utilized:

- 1) The portfolio manager includes his or her personal trade with other trades for our clients in a block trade (or aggregated trade), which is executed with a broker through our master account. The broker must execute all the trades in that particular block at the average price, which the broker calculates at the end of the day. Partially filled orders will go first to clients and then pro-rata to personal accounts.
- 2) The portfolio manager executes his or her personal trades using an account-by-account method through our master account, while also using the same method to execute trades of the same security during the day for clients, also through our master account. At the end of the day, the broker must calculate an average price for all of the trades of the same security. The trades are then allocated to their respective individual accounts.

A Research Analyst may not trade in a security, or any derivative thereon, if the Research Analyst intends to recommend that security for Guidance List inclusion or deletion within seven calendar days. Likewise, a Research Analyst may not trade in a security, or any derivative thereon, if the Research Analyst intends to change an existing recommendation, or change the rating of a Guidance List security, within seven calendar days. Recommendations may take the form of written memoranda, group presentations, or individual conversations.

After paying due regard to the seven calendar day personal trading requirements, a Research Analyst may obtain pre-clearance to purchase or sell for their personal accounts any large capitalization security at any time.

After obtaining pre-clearance, all other employees may purchase or sell for their personal accounts any large capitalization security at any time.

We have a different policy for securities transactions in small and mid-cap stocks. A small and mid-cap stock is a security having a market capitalization of \$2 billion or less, and not in the S&P 500 or the Russell 1000 indices. After obtaining pre-clearance, an employee may purchase or sell for his or her personal account any stocks on the small or mid-cap Guidance List, as long as the employee includes his or her personal trade with other trades for our clients in a block trade (or aggregated trade), which is executed with a broker through our master account. The personal trades cannot be more than 15% of the total trade. The broker must execute all the trades in that particular block at the average price, which the broker calculates at the end of the day. Partially filled orders will go first to clients and then pro-rata to personal accounts.

If personal trades are not included in a block or aggregated trade, the personal trades are subject to a seven calendar day blackout period. For example, if a portfolio manager purchases or sells a security for his client on a Tuesday, the soonest an employee can purchase or sell the same security for his personal account is the next Tuesday. If the same security is subsequently purchased or sold for a client's portfolio within the seven calendar day blackout period and the price differential is favorable to the employee, all realized and unrealized gain is required to be disgorged so that the employee ends up with the same average price as the client.

Once a seven calendar day blackout period has commenced, an employee may purchase or sell a security for his or her personal account within the seven calendar days following a trade in the same security for any of our clients, if all three of the following conditions are met:

- 1) the employee's personal securities transaction is included in a block or aggregated trade with a client;
- 2) the personal portion of the block or aggregated trade is limited to 15% of the total transaction; and
- 3) the employee is other than the employee whose personal trade was responsible for commencing the blackout period.

In addition, an employee may sell a security for his or her personal account within the seven calendar days following a sale of the same security for any client, if both of the following conditions are met:

- 1) no client holds the security as of the trade date the Employee sells it; and
- 2) the employee obtains a price that is equal to or less than that obtained in the last client transaction involving that security.

Notwithstanding the foregoing, if an employee trades for his or her personal account and a portfolio manager trades for his or her clients' accounts within the seven calendar day blackout period, the employee's personal trade will not be subject to disgorgement if the trade meets the requirements of one of the following tests:

- 1) the number of shares in the personal trade is equal to or less than 1% of the last 10 days average trading volume; or
- 2) the dollar amount of the personal trade is equal to or less than \$25,000.

If the trade does not meet the requirements of either test, the amount in excess of the higher of the two requirements will be subject to disgorgement.

While needing pre-clearance, trades for the Bradley, Foster & Sargent, Inc. 401(k) Plan equity fund which we manage for our employees, are treated as client trades. Therefore, portfolio managers, other than the portfolio manager managing the Bradley, Foster & Sargent, Inc. 401(k) Plan equity fund, do not need to observe the seven calendar day blackout period when trading in the same securities for their clients. However, the portfolio manager managing the Bradley, Foster & Sargent, Inc. 401(k) Plan equity fund must observe the seven calendar day blackout period in regard to personal trades in securities for his or her personal accounts – or disgorge the profits, if any.

Also, if a portfolio manager executes a de minimis trade for a single client account, thereby starting a blackout period, followed by an employee trade that would otherwise be subject to the disgorgement rule, the disgorgement of profits policy will not apply unless the employee who traded for his or her personal account and the portfolio manager who traded for this client account is the same person.

No employee may knowingly buy, sell, or dispose of in any manner, including by gift, a personal security investment which would cause, or appear to cause, a conflict with the interests of any of our clients.

All new hires must submit a statement of all publicly traded securities for all accounts in which they have a beneficial interest. All employees' personal accounts are required to be tracked on the firm's accounting system. In addition, we require that our centralized trading function be utilized to execute all trades. Each employee must report all trades on a quarterly basis and submit a statement of all publicly traded securities on an annual basis for all accounts in which they have a beneficial interest. These reports are reviewed by the Chief Compliance Officer and any exceptions or irregularities are brought to the attention of the President for action.

We require all employees to comply with all laws and regulations relating to the use and communication of all nonpublic information. Specifically, no employee should trade in a stock while in possession of material nonpublic information. Our employees are allowed to serve on the board of directors of publicly traded companies, with the prior approval of our President, but in such case, the publicly traded company would not be allowed on our Guidance List.

We are the general partner of the Crystal Partners Fund. On occasion, we will recommend to our clients that they invest in the Crystal Partners Fund, subject to our clients meeting the eligibility requirements. Also, we are the investment adviser of the BFS Equity Fund. We will recommend to our clients that they invest in the BFS Equity Fund if we believe it is an appropriate investment for them. (See *Item 7: Types of Clients and Item 10: Other Financial Industry Activities and Affiliations.*)

We will provide a copy of our Ethics Policy to any client or prospective client upon request. To obtain this information, contact John M. Kirschner, our Chief Compliance Officer.

## Item 12: Brokerage Practices

We consider several factors before selecting a broker-dealer for any client transaction. These factors include custodian, size of trade, commission schedule, written agreements or verbal understandings, quality of execution, size of account (impacts prime broker eligibility), client restrictions, and unusual circumstances.

With regard to custodians, we consider the quality and breadth of the services provided to the client when choosing which broker-dealer to recommend to the client as their custodian. We have agreements with Charles Schwab (“Schwab”) and Fidelity Investments (“Fidelity”) as our preferred custodians. As of December 31, 2017, approximately 90% of our clients’ accounts were held in custody at either Schwab or Fidelity. Under the terms of these agreements, Schwab and Fidelity do not charge our clients fees for custody. However, Schwab and Fidelity receive compensation from our clients in the form of commissions on securities trades executed through their brokerage services.

If a client is recommended to us from the Schwab Service or the Fidelity Program, the client’s account is likely to remain with the brokerage firm that recommended the client to us. As a participant in the Schwab Service and the Fidelity Program, we may have an incentive to recommend a broker-dealer based on our interest in receiving client referrals. We may recommend that clients establish brokerage accounts with Schwab or Fidelity to maintain custody of the clients’ assets and effect trades for their accounts. (See *Item 14: Client Referrals and Other Compensation*.)

**Schwab.** We participate in the Schwab Service through which Schwab provides us with client referrals. The Schwab Service is designed to help investors find an independent investment adviser. Schwab is entitled to compensation from us under this agreement (See *Item 14: Client Referrals and Other Compensation* for a full description of the fees paid to Schwab). Schwab does not charge our clients fees for holding their accounts in custody at Schwab. However, Schwab receives revenue from our clients in the form of commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts (i.e., transaction fees are charged for certain no-load funds, commissions are charged for individual equity and debt securities transactions). Schwab provides access to many no-load mutual funds without, or with nominal, transaction charges. We may execute trades for client accounts held in custody at Schwab through a different broker-dealer than Schwab.

**Fidelity.** We participate in the Fidelity Program, which is designed to introduce high net worth investors to independent registered advisers. Fidelity is entitled to compensation from us in connection with the Fidelity Program (See *Item 14: Client Referrals and Other Compensation* for a full description of the fees paid to Fidelity). Clients referred by Fidelity maintain custody of their assets at Fidelity. Fidelity does not charge the client fees for custody but receives revenue from our clients in the form of commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e.,

transaction fees are charged for certain no-load funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without, or with nominal, transaction charges. We may execute trades for client accounts held in custody at Fidelity through a different broker-dealer than Fidelity.

**Huntington National Bank.** The assets of the BFS Equity Fund are held in custody by Huntington National Bank (HNB), which is a qualified custodian. HNB is not affiliated with any broker-dealer and, therefore, there are no custodian/broker-dealer imposed restrictions on our trading options for the BFS Equity Fund.

Once a custodian is chosen, a significant portion, and in some cases all, of the trades must be executed through this custodian/broker-dealer due to the requirements of such custodian/broker-dealer or for regulatory purposes.

For all accounts held at bank trust departments and for many accounts held at discount brokers, we will routinely direct transactions to specific brokerage firms for the purpose of compensating those firms for the benefit of research, computer research tools and on-line market quotations. The rates charged for these transactions, which have been negotiated, are generally greater than those charged by a discount broker. (A discount broker executes buy and sell orders at a reduced commission compared to a full-service broker, but provides little, if any, other services.)

The commissions these broker-dealers receive for executing trades for our clients, in compensation for research, computer research tools and on-line market quotations, are for the benefit of all accounts. We receive political, economic, industry and company-specific analytical research from a variety of research and brokerage firms including, but not limited to, Evercore ISI, Fidelity Investments; JP Morgan Securities; Keefe, Bruyette & Woods; Needham; Piper Jaffray; Sanford C. Bernstein & Co.; Schwab Institutional; and William Blair.

In addition, we have an arrangement with a broker-dealer that permits us to direct the broker-dealer to pay the fees of third-party research service providers with brokerage commissions. The third-party research service providers furnish us with the following services:

- identifying emerging global economic trends and assistance with identification of new investment opportunities;
- assisting our portfolio managers and the Investment Committee with asset allocations and weighting of sectors;
- providing research and a database of information on both public and private global capital markets;
- offering applications for desktop research, screening, back-testing, financial modeling, quantitative analysis and other analytics; and
- providing integrated financial investment software and investment research services, real-time pricing and historical database of financial information, portfolio analytics for a broad range of equities, and estimates of future earnings and cash flows.

As with arrangements with other broker-dealers, clients may pay commissions higher than those charged by other broker-dealers in return for the research services we obtain from the third-party

research service providers. The benefits of the research services are not allocated proportionately to the client accounts that generated the brokerage commissions. While the research services benefit our clients, they also benefit us and, accordingly, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products and services.

We acknowledge our duty to seek best execution of trades for client accounts. We try to minimize commissions paid in consideration for research including the frequent use of executing trades electronically. Electronic trades now constitute greater than 90% of all trades we execute. In considering commission rates offered by brokers, we take into consideration the quality and consistency of the research provided as well as the quality and speed of the execution of the trade. Commission rates may not be the lowest available.

Annually, we establish a commission budget for the purpose of projecting the dollar amount of commissions to be directed to specific investment houses. This allocation process is based on the quality and consistency of services provided including, but not limited to, web-based and paper-based research, execution of trades, access to the management of companies, access to research analysts, and access to investment conferences. During the year, we monitor the performance of the investment houses and modify the budget, if necessary, to redirect trades to those investment houses providing the highest level of service.

Clients may direct their brokerage to particular broker-dealers. However, we may not be able to obtain best execution for those clients that direct their brokerage to particular entities. These clients may pay different commissions, greater spreads, or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

For client accounts held by master custodians, such as bank trust departments or prime brokers, we may place aggregate trade orders for specific securities. The master custodian distributes the predetermined allocations of the aggregate trades to the individual client accounts at an average and equal cost per share.

Occasionally, when we trade, trading errors will occur. Whenever a trading error occurs, the gains are contributed to a charity of our choosing. Losses that result from our trading errors are borne by us. We are required to reimburse the broker-dealer for losses. In all instances, the client for whom the trade is executed does not suffer a loss and is always made whole.

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

Periodically, we will review each client account for conformance with the investment objectives of the client. The portfolio managers involved in the review process, as of December 31, 2017, follow:

Portfolio Manager and Title

Robert H. Bradley, Chairman

Cameron H. Burns, Executive Vice President

Timothy H. Foster, Executive Vice President

David P. Korzendorfer, Executive Vice President  
Keith G. LaRose, Executive Vice President  
Roger H. Manternach, Vice President  
Jeffrey G. Marsted, Executive Vice President  
Gregory M. Miller, Executive Vice President  
William R. Peelle, Jr., Executive Vice President  
Joshua O. Peteet, Portfolio Manager  
Thomas D. Sargent, Executive Vice President

Each portfolio manager is assisted by one, or in some instances two, employees in the execution of their responsibilities. Additionally, some portfolio managers act as back-up portfolio managers for certain client relationships.

We provide written portfolio appraisals to each client on a quarterly basis. Portfolio appraisals contain a list of holdings by asset type and industry diversification, as well as various other important details, such as the projected annual income, current yield, number of shares, cost basis, and market value. We also offer periodic client meetings and general communications. Clients may request a verbal or written review of their accounts at any time.

We provide a semi-annual and annual report to all unit holders in the BFS Equity Fund. The information provided in these reports conforms to the requirements of the Securities and Exchange Commission.

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

Prospective clients are referred to us by several firms with which we do business. Some of those firms are compensated for referrals that result in new business for us. In addition, we may receive an economic benefit as a result of our relationship with certain of those firms.

**Schwab.** We receive client referrals from Schwab through our participation in the Schwab Service. The Schwab Service is designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for our management of clients' portfolios or other advice or services. Our participation in the Schwab Service may raise potential conflicts of interest, as described below.

We pay Schwab a fee on all referred clients' accounts that are maintained in custody at Schwab (a "Participation Fee"). The Participation Fee is a percentage of the value of the assets in the client's account. We pay Schwab the Participation Fee for as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to us quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is borne by us; clients referred through the Schwab Service do not pay fees or costs greater than the fees or costs we charge our clients with similar portfolios who were not referred through the Schwab Service.

We pay Schwab a different fee if Schwab does not maintain custody of a referred client account or the assets in the account are transferred from Schwab (the "Non-Schwab Custody Fee"). The

Non-Schwab Custody Fee does not apply if the client was solely responsible for the decision to not maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the value of the client's assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee represents a higher percentage of a client's assets than the annualized Participation Fee. Therefore, we will have an incentive to recommend that accounts of Schwab-referred clients be held in custody at Schwab.

For accounts of our clients referred by and in custody at Schwab, Schwab does not charge our clients fees for holding their accounts in custody at Schwab. Schwab does receive revenue from our clients in the form of commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts (i.e., transaction fees are charged for certain no-load funds, commissions are charged for individual equity and debt securities transactions). Schwab provides access to many no-load mutual funds without, or with nominal, transaction charges. Even so, we acknowledge our duty to seek best execution of trades for client accounts. We may execute trades for client accounts held in custody at Schwab through a different broker-dealer than Schwab. Trades for accounts held in custody at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Schwab also makes available to us other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist our firm in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), provide research, pricing information and other market data, facilitate payment of our fees from client accounts, and assist with back-office functions, recordkeeping, and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab.

Schwab also makes available to us other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange, and/or pay for these types of services rendered to us by independent third parties. Schwab may 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 us. While as a fiduciary we are obligated to act in our clients' best interests, our recommendation that clients establish brokerage accounts with Schwab to maintain custody of the clients' assets and effect trades for their accounts, including for clients that have not been referred to us by Schwab, may be based in part on the benefit to us of the availability of some of Schwab's products and services and not solely on the nature, cost, or quality of custody and brokerage services Schwab provides, which may create a potential conflict of interest.

**Fidelity Wealth Advisor Solutions®**. We receive client referrals through our participation in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"). The WAS Program, a referral program provided by Fidelity Personal and Workplace Advisers, LLC (FPWA), a registered investment adviser and Fidelity Investments company (Fidelity), is designed to introduce high net worth investors to independent registered investment advisers. Fidelity

Brokerage Services (“FBS”) is a broker-dealer independent of and unaffiliated with us. FWPA does not supervise us and has no responsibility for our management of clients’ portfolios or other advice or services. Our participation in the WAS Program may raise potential conflicts of interest.

With respect to clients referred by FPWA or a Fidelity affiliate on or after November 1, 2012, but prior to April 1, 2017, we pay FPWA a fee on all referred clients’ accounts that are maintained in custody at Fidelity (a “Referral Fee”). The Referral Fee is a percentage of the value of the assets in the client’s account. We pay FPWA the Referral Fee on a quarterly basis for a period of seven years from the date a client’s account is funded.

Effective with clients referred by FPWA or a Fidelity affiliate on or after April 1, 2017, we will pay FPWA the Referral Fee for so long as the referred client’s account remains in custody at Fidelity. For referrals made on or after April 1, 2017, the Referral Fee payable by us with respect to a client’s “fixed income” assets, including cash, will be lower than the Referral Fee payable by us with respect to other assets held in a referred client’s accounts. While as a fiduciary we are obligated to act in our clients’ best interests, this referral fee structure may create a potential conflict of interest.

If Fidelity does not maintain custody of a referred client account or the assets in the account are transferred from Fidelity (other than pursuant to the client’s decision) we are required to make a one-time payment to FPWA equal to a percentage of the value of the client’s assets placed with a custodian other than Fidelity. This fee represents a higher percentage of a client’s assets than the annualized Referral Fee. Therefore, we will have an incentive to recommend that accounts of Fidelity-referred clients be held in custody at Fidelity.

The Referral Fee is borne by us; clients referred through the WAS Program do not pay fees or costs greater than the fees or costs we charge our clients with similar portfolios who were not referred through the WAS Program.

For accounts of our clients referred by and in custody at Fidelity, Fidelity does not charge the client fees for holding their accounts in custody at Fidelity. Fidelity does receive revenue from our clients in the form of commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transaction fees are charged for certain no-load funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without, or with nominal, transaction charges. Even so, we acknowledge our duty to seek best execution of trades for client accounts. We may execute trades for client accounts held in custody at Fidelity through a different broker-dealer than Fidelity. Trades for accounts held in custody at Fidelity may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Fidelity provides us with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services that assist us in managing and administering clients’ accounts. These include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);

- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing, and other market data;
- facilitate payment of fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

Fidelity also offers other services intended to help us manage and further develop our advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and third party service providers who provide a wide array of business related services and technology and who we may contract directly. While as a fiduciary we are obligated to act in our clients' best interests, our recommendation that clients establish brokerage accounts with Fidelity to maintain custody of the client's assets and effect trades for their accounts, including for clients that have not been referred to us by Fidelity, may be based in part on the benefit to us of the availability of some of Fidelity's products and services and not solely on the nature, cost or quality of custody and brokerage services Fidelity provides, which may create a potential conflict of interest.

**LPL Financial LLC.** We have a relationship with LPL Financial LLC ("LPL"). From time to time, we receive client referrals through our participation in LPL's Referral Services Program, which is designed to help investors find an independent investment adviser. We share a portion of our management fees from LPL referred clients with LPL.

**CapVisor Associates, Inc.** We have an agreement with CapVisor Associates, Inc. ("CapVisor"), an investment adviser specifically serving insurance companies. CapVisor provides its clients with a network of independent investment advisers. On occasion, CapVisor will provide us with client referrals. We share a portion of our management fees from CapVisor referred clients with CapVisor.

**Sigma Planning Corporation.** We have an agreement with Sigma Planning Corporation ("SPC"). From time to time, we receive client referrals through our participation in SPC's Referral Services Program, which is designed to help investors find an independent investment adviser. We share a portion of our management fees from SPC referred clients with SPC.

**Adams Samartino & Co., P.C.** We have an agreement with Adams Samartino & Co., P.C. ("ASC"). ASC is a certified public accounting firm. From time to time we receive client referrals from ASC. We share a portion of our management fees from ASC referred clients with ASC.

## **Item 15: Custody**

Our clients' accounts are held in custody by qualified custodians. The custodians will send written account statements directly to our clients on a monthly basis. Clients should carefully review the account statements they receive from the custodian. We send to each of our clients a portfolio appraisal on a quarterly basis. We urge clients to compare the custodian account statements and the portfolio appraisals for both completeness and accuracy.

Although we do not in our normal course of business act as custodian, as of December 31, 2017, we managed 34 accounts for which one of our principals had been appointed as sole or co-trustee. With respect to 26 of these 34 accounts, the principal had been appointed to serve as sole or co-trustee as a result of a family or personal relationship (and not as a result of employment with us).

With respect to the other eight accounts, the principal has been appointed to serve as sole or co-trustee as a result of the principal's employment with us. In each case, each current beneficiary or independent representative of the beneficiary of each such trust is sent a monthly detailed account statement by a qualified custodian. In those instances where there is a co-trustee who is independent of us, that co-trustee is sent a monthly detailed account statement by a qualified custodian. We are deemed to have custody of the assets of these eight accounts and, therefore, are subject to an annual surprise examination to confirm our compliance with certain provisions of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Also, as the general partner of the Crystal Partners Fund, we are deemed to have custody of the assets of the Crystal Partners Fund. The financial statements of the Crystal Partners Fund are subject to an annual audit by an independent public accountant registered with the Public Company Accounting Oversight Board (PCAOB) and subject to regular inspection by the PCAOB in accordance with its rules. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The audited financial statements are distributed to the investors in the Crystal Partners Fund in conformity with certain provisions of the Advisers Act.

### **Item 16: Investment Discretion**

We offer discretionary account management services to our clients. (Discretion is defined as complete authority over the timing of purchases and sales, the selection of securities being purchased and sold, and the number of shares being purchased and sold.) While on occasion we will accept investment management assignments that are non-discretionary, they represent only about 2% of our total assets under management. All restrictions are documented in writing.

When starting an investment management relationship with us, clients are required to sign an Investment Management Agreement, which includes a provision granting us full investment discretion for their assets. Agreements are in effect until terminated by written notice of either party to the other.

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

We will accept authority to vote clients' securities. We strive to vote proxies in a manner which is in the best interests of our clients. In general, this means that we review the proxy material carefully, and vote according to our judgment of what will be most beneficial to the company's shareholders. While this often means voting with management, there are instances when it is in our clients' best interest to vote against management. Generally, the Chief Compliance Officer, with the advice and consent of the President, makes the decision on how to vote.

There is a risk that we may not receive all proxies that we have authority to vote or we may receive proxies for which we have authority to vote after the voting deadline has passed. For those clients for whom we have accepted authority to vote their securities, we will vote all proxies which are timely received.

We have a Proxy Voting Committee which consists of the President, Chief Compliance Officer and Chief Investment Officer. In cases where it is difficult to decide, or where possible conflicts of interest occur, the Chief Compliance Officer will bring the matter to the attention of the Proxy Voting Committee. Examples of such matters might include potential conflicts such as where our employees have a close, personal relationship with management, or where we manage pension fund assets for the company in question. Upon thorough review of a proxy in question, the Proxy Voting Committee will decide whether to vote for or against management.

If clients who have given us the authority to vote proxies on their behalf wish to change their approach and vote all proxies themselves, we will send, upon the client's request, the appropriate documentation so they can vote proxies themselves. Clients may contact us to give us direction on how to vote their proxies for a particular solicitation. At this time, unless a client's direction is consistent with how we had planned to vote all clients' proxies for that particular solicitation, we may not be able to accommodate their request.

We maintain proxy voting records at our office for at least two years and reasonable access for an additional three years. We are obligated to disclose how we have voted on any particular proxy to any client upon written request. Clients may also obtain at any time a copy of our Proxy Voting Policy and Procedures. To obtain any of this information, contact John M. Kirschner, our Chief Compliance Officer.

### **Item 18: Financial Information**

We do not meet any of the conditions that would require us to provide a balance sheet. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients. We have not been the subject of a bankruptcy proceeding during the past 10 years.

### **Item 19: Requirements for State-Registered Advisers**

We are not registered with any state securities authorities. Therefore, we do not have any information to disclose under this Item.