

**Item 1 – Cover Page**

# **NORTH STAR INVESTMENT MANAGEMENT CORPORATION**

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**Date of Non-Wrap Fee Brochure: March 13, 2025**

This Brochure provides information about the qualifications and business practices of North Star Investment Management Corporation (hereinafter referred to as “North Star,” the “Firm,” or “we”). If you have any questions about the content of this Brochure, please contact the Firm’s Chief Compliance Officer, Andrew Eisenberg, at the telephone number provided above or email us at [aeisenberg@nsinvest.com](mailto:aeisenberg@nsinvest.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

North Star is registered as an investment adviser with the SEC. The fact that North Star is “registered” does not imply any level of skill or training. You should not make a determination to hire or retain any adviser based solely on the fact that the adviser is registered.

Additional information about North Star is available on the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with North Star who are registered as Investment Adviser Representatives of the Firm.

## **Item 2 – Material Changes**

This Item 2 summarizes only the material changes that were made since the Brochure issued on March 18, 2024. It is not a summary of the Brochure in its entirety. Following is a listing of the material changes to the Brochure:

1. In Item 4E, we updated the assets under discretionary management.
2. We added to Item 8B disclosure information about the Vanguard Personalized Indexing.
3. We added to Item 8C disclosure information about the Blackstone Infrastructure Strategies L.P.
4. In Item 14B.3, Eric Kuby no longer serves on the Investment Committee at Regal Investment Advisors, LLC (“Regal”)

You may obtain a copy of our current Brochure any time by contacting our Firm’s Chief Compliance Officer at the telephone number listed on the cover page of this Brochure.

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## Item 4 – Advisory Business

### A. Business Commencement Date

North Star has been in business since April of 2003.

### B. Ownership

North Star Financial Services Corp. is the sole shareholder of the Firm. Messrs. Peter Gottlieb and Eric Kuby are the principal shareholders of North Star Financial Services Corp.

### C. Services

**MANAGED ACCOUNTS.** North Star provides personalized discretionary investment management services to its clients. Clients are asked to provide North Star with certain information with respect to their current financial holdings, investment objectives, risk tolerance, liquidity needs, and time horizon. The Firm will also inquire as to the restrictions the client wishes to impose on the management of the accounts. From the information that is supplied by the client, North Star constructs an investment policy that it believes is suitable for that client. The Firm serves as the investment adviser to the North Star Opportunity Fund (“NSOF”), the North Star Micro Cap Fund (“NSMCF”), the North Star Bond Fund (“NSBF”), the North Star Dividend Fund (“NSDF”) and the North Star Small Cap Value Fund (“NSSCV”) (and, collectively with the NSOF, the NSMCF, the NSBF and the NSDF, the “North Star Mutual Funds”). We prefer the funds we manage unless we believe third-party managers offer substantially differentiated portfolio constructions benefits. We prefer the North Star Mutual Funds because of our familiarity with their investment processes and the fact that they generally align well with our forward-looking investment strategies. Additionally, because the Firm and the funds are managed by the same people, our risk and compliance philosophies are commonly aligned. Consequently, we expect that the allocation of investments into the North Star Mutual Funds will be high (up to 100 percent). Additionally, North Star portfolio managers generally do not hold mutual funds in a client’s account if they were purchased by a previous advisor or the client prior to establishing a relationship with North Star. Typically, these funds will be liquidated and the proceeds invested in North Star Mutual Funds or strategies. There may be tax consequences and/or higher fees resulting from these changes.

**WRAP ACCOUNTS.** North Star offers discretionary investment management services to customers of NewEdge Securities, Inc. (the “Wrap Broker”), whereby North Star charges the client a “wrap fee” for the advisory services offered by North Star and the execution of transactions in the advisory account by the Wrap Broker. North Star remits a portion of the wrap fee collected to the Wrap Broker for execution services. For such accounts, North Star directs all account brokerage transactions to the Wrap Broker to prevent incurring additional transaction charges outside of the wrap fee. North Star might not be able to obtain the most favorable price if it is unable to aggregate or batch the trades from these accounts with other client trades. In addition, the wrap fee program may cost the client more or less than purchasing such services separately, particularly where there are a low number of transactions. See Item 5 below, which provides a fee schedule for the wrap account and for the non-wrap account. Specific information about the wrap fee programs is available in the Wrap Fee Program Brochure attached as Appendix I to this Form ADV Part 2A.

**FINANCIAL PLANNING.** North Star offers financial planning services for an hourly or fixed fee. North Star conducts a financial overview to develop a tailored investment plan for the client. In an effort to gain a comprehensive understanding of the client’s present and long-term financial needs

and goals, North Star elicits from the client certain information such as the client's assets, liabilities, income, expenses, insurance coverage, retirement planning and estate planning objectives, current investment and savings activities, tax status, risk tolerance, time horizon, and investment objectives, philosophy and preferences. North Star evaluates this information to develop an investment plan, which includes investment recommendations. Upon delivery of the advisory report or upon the close of the meeting wherein the advisory recommendations are presented to the client, North Star does not have an ongoing responsibility to monitor the client's accounts or make recommendations to the client. North Star does not have the responsibility to arrange any securities transaction but may arrange one or more transactions upon the client's instruction. North Star does not provide legal or tax advice. Clients are encouraged to consult with their legal or tax attorneys or advisers regarding legal and tax matters.

**FINANCIAL PLANNING FOR RETIREMENT PLANS.** North Star also offers financial planning services to employer-sponsored retirement plans. After obtaining from the client pertinent information regarding the Plan, North Star will make recommendations regarding the selection of the Plan's investment options. Upon the client's request, North Star will provide reasonable enrollment assistance to Plan Participants in selecting Plan investments. North Star will also provide, on a reasonable basis and upon request of a Plan Participant, guidance to the Plan Participant in connection with the investment selection. North Star will not be responsible for the active and continuous monitoring of the Plan's assets. North Star will not have discretionary authority over Plan assets.

**FAMILY OFFICE AND FINANCIAL CONCIERGE.** North Star provides a suite of family office services designed to meet the particular needs of high net worth investors and affluent families. These services are comprehensive and ongoing in nature and entail a level of involvement that exceeds traditional investment management and financial planning services. The specific types of services provided are dictated by the client's unique needs. In this capacity, we may provide, for example, any one or more of the following types of services: fiduciary administration, personal financial services, estate planning, budget and cash flow analysis, retirement planning, insurance planning, family governance, philanthropic planning, survivorship planning, intergenerational wealth transfer and multigenerational beneficiary planning, business succession planning, and fiduciary liaison services. If the client wishes to implement any investment recommendation or advice communicated by us, the client may select any brokerage firm, private investment firm, insurance agency, broker, dealer, bank or any other financial institution to implement those recommendations or that advice.

**UNIFIED MANAGED ACCOUNT MANAGER.** North Star provides to Greenrock Research, Inc. ("Greenrock") a report, generated at least monthly, of positions in a small cap model portfolio. Greenrock is a registered investment adviser and consulting firm that provides portfolio solutions for other registered investment advisers and their clients and may use these reports in the provision of its advisory services to its clients. North Star and Greenrock are not affiliated. North Star may manage small cap portfolios for its advisory clients using the positions communicated to Greenrock or, depending on the needs of North Star's advisory client, using positions that are different than those communicated to Greenrock.

**INVESTMENT PRODUCT TYPES.** Generally, the Firm's investment advice is confined to the following universe of securities and products:

- Exchange-listed securities
- Securities traded over-the-counter

- Securities issued by foreign issuers
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- U.S. government securities
- Municipal securities
- Mutual funds (foreign and domestic) (including the North Star Mutual Funds)
- Options contracts on securities
- Structured products, including principal-protected notes
- Interests in hedge funds

#### **D. Cash Sweep Accounts**

Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. North Star may purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless North Star reasonably anticipates that the cash proceeds will be utilized during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. North Star does not receive compensation from these programs. Please contact North Star to address any questions you may have regarding the options available for cash balances.

#### **E. Assets Under Management**

As of December 31, 2024, North Star was managing approximately US \$2,169,773,381 in client assets on a discretionary basis and US \$110,886,972 on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

#### **A. Fees**

MANAGED ACCOUNTS. Generally, North Star charges fees in accordance with the following fee schedule:

<u>AUM</u>	<u>Balanced and Equity</u>	<u>Fixed Income</u>
Up to \$500,000	1.50%	1.00%
Over \$500,000	1.00%	0.75%

There may be periods of time with low or no transaction activity in a client's account. Among the reasons for this include market conditions, restrictions placed on the account by the client, tax considerations, nature of securities held or the investment strategy of the portfolio manager. In these low turnover situations, the client would likely have paid lower fees overall if the client had

purchased the same securities in a brokerage-only account with a traditional pay-per-trade commission structure. Before entering into a management agreement with the Firm, clients should consider these potential additional costs in relation to the potential benefits of an investment advisory relationship, including ongoing portfolio monitoring, access to investment strategies, and performance reporting.

In some cases, North Star charges tiered fees in accordance with the following schedule with a minimum fee of \$10,000 billed as follows:

<u>Annual Fee</u>	<u>AUM</u>
1.00%	on the first \$1 million
0.75%	on the next \$4 million
0.50%	on the next \$5 million
0.40%	on the next \$40 million
0.30%	on the remaining balance over \$50 million

With these accounts, fees will be pro-rated and charged monthly and in arrears and will be paid from account assets.

Also, the North Star Mutual Funds generally have expense ratios that are at or above their category peers. When invested in the funds we manage, the total fees paid by the client (including the Fund expenses) will likely be higher than the fees the client would have paid if the portfolio was not invested in the funds we manage. Even taking into account the fact that we do not charge advisory fees on that portion of the portfolio that is invested in the North Star Mutual Funds, the total expenses associated with such an investment would exceed the fees set forth in the above fee schedule.

Managed Fees do not include professional fees identified below. These are two separate fees at North Star and the client may receive an invoice for management services and a separate invoice for professional services (i.e.: Financial Planning, Accounting, etc.).

**FEES FOR WRAP ACCOUNTS.** Generally, the fee for wrap program accounts is charged in accordance with the following fee schedule:

<u>AUM</u>	<u>Balanced and Equity</u>	<u>Fixed Income</u>
Up to \$500,000	2.00%	1.50%
Over \$500,000	1.50%	1.25%

"AUM" means the assets under the management of North Star for a particular client or client account. The fees listed in the schedules above are annualized figures. Fees will be charged quarterly and in arrears. The quarterly fee is based upon the market value of all assets held within the client's account on the last business day of the calendar quarter. Additional deposits to the account are subject to the same fee procedures. The client is typically charged a *pro rata* fee in the event the client's service is terminated on a day other than the last business day of the month. In that event, the *pro rata* fee will be due and payable upon termination of the service.

North Star may adjust the fee schedule upon thirty (30) days' prior written notice to the client. In certain instances, fees may be negotiable. A negotiated fee schedule must be pre-approved by a member of the Firm's Senior Management.

The client's account will be debited for the above-mentioned fees. Fees are collected by the Firm from the amount of any contribution or transfer, from available cash in the client's account, or by liquidating the client's assets held in the client's account in an amount equal to the fees that are due. It is important to note that North Star receives more revenue when the client's portfolio is invested in the North Star Mutual Funds (see also, Item 10C).

**WRAP ACCOUNTS SPONSORED BY OTHER FINANCIAL INSTITUTIONS.** North Star is a portfolio manager for certain wrap fee programs sponsored by financial institutions or broker/dealer firms that may make available such programs to their customers. Generally, annualized fees charged to such financial institutions for the managed accounts are 0.50% of the AUM.

**FINANCIAL PLANNING SERVICES.** Generally, fees are negotiated with the client at the time of the engagement. Fixed fees range from \$1000 to \$3000 depending on the complexity of the plan. Fifty percent (50%) of the estimated fees are due upon the signing of the financial planning agreement. The remainder of fees incurred is due upon the delivery of the advisory report to the client or upon the close of the meeting wherein the advisory recommendations are presented to the client, whichever occurs earlier. Fees are charged whether or not the recommendation(s) made result in a profit. Prior to the delivery of the advisory report, the client may terminate the agreement upon written notice to North Star. Upon termination, North Star is entitled to compensation for time expended on the consultation and/or preparation of the advisory report and any unearned fees paid will be refunded to the client.

In certain instances, fees may be negotiable. A negotiated fee schedule must be pre-approved by a member of the Firm's Senior Management.

**FINANCIAL PLANNING FOR RETIREMENT PLANS.** North Star also offers financial planning services to employer-sponsored retirement plans. Fees for such services are charged in accordance with the following fee schedule:

<u>AUM</u>	<u>Annualized Fee</u>
Up to \$500,000	1.00%
\$500,000 – \$999,999	0.80%
\$1,000,000 - \$2,999,999	0.60%
\$3,000,000 - \$4,999,999	0.50%
\$5,000,000 and Over	0.40%

Fees will be charged quarterly and in arrears and will be paid from Plan assets. The quarterly fee is based upon the market value of the assets held within the Plan on the last business day of the calendar quarter. All management fees may be amended by North Star upon thirty (30) days' written notice to the Plan. The Plan is typically charged a *pro rata* fee in the event the financial planning service is terminated on a day other than the last business day of the calendar quarter. In that event, the *pro rata* fee will be due and payable upon termination of the service. If the scope of the services to be provided by North Star to the client changes, the fee estimate may be revised accordingly. The scope of the services will not be modified unless agreed to by the client and North Star in writing.

**FAMILY OFFICE AND FINANCIAL CONCIERGE.** Fees for family office, financial concierge services and trustee services are negotiated with the client at the time of the engagement. Fees are based upon the amount of time Adviser believes will be expended in rendering services to the client and the complexity of such services. A minimum quarterly fee will be negotiated upon engagement. The fees will be charged quarterly and in advance. The services commence on the



first date on which the agreement for services is signed by the client and us. For the first calendar quarter, fees will be adjusted *pro rata* to include the date on which the services commence and the number of calendar days left in the calendar quarter. Thereafter, the quarterly fee will be payable on the first day of each calendar quarter when the invoice is issued. Upon or after the quarter end, we will calculate the number of hours actually expended rendering services to the client and multiply that number by an hourly rate. If the product exceeds the quarterly minimum fee paid, we will charge the client the difference. If it appears that the time we are devoting to the client materially deviates from the amount of time originally anticipated, we will contact the client to obtain approval to continue the services under a modified compensation schedule. In addition, if the scope of the services changes, the fees may be revised accordingly. The client may also be responsible for certain travel-related expenses as will be more fully described in the written agreement with the client.

UNIFIED MANAGED ACCOUNT MANAGER. Greenrock pays to North Star a quarterly fee equal to an annualized 0.30 percent of the value of each of Greenrock's adviser client's portfolio assets included in the small cap strategy.

LOWER FEE DISCLOSURE. Lower fees for comparable management or financial planning services may be available from other sources.

## **B. Termination of Service**

MANAGED ACCOUNTS. Upon written notice to North Star, within five (5) business days of entering into an agreement with the Firm, the client will have the right of termination without penalty or payment of fees. The Firm will refund any payment that has been made. Thereafter, either North Star or the client may terminate the agreement upon thirty (30) days' written notice to the non-terminating party.

FINANCIAL PLANNING SERVICES. The agreement for financial planning is limited in duration and, generally, terminates automatically when the advisory report or recommendations are provided to the client.

FINANCIAL PLANNING FOR RETIREMENT PLANS. Upon written notice to North Star, within five (5) business days of entering into the agreement, the Plan will have the right of termination without penalty or payment of fees. If any payment has been made, such payment shall be refunded in its entirety. Thereafter, the agreement may be terminated either by North Star, or by the Plan upon thirty (30) days' written notice to the non-terminating party.

UNIFIED MANAGED ACCOUNT MANAGER. North Star will give Greenrock thirty (30) days' advance written notice of termination of the agreement.

## **C. Other Fees**

In addition to the advisory fees charged by the Firm, other fees will apply. Brokerage commissions, transaction fees, sales loads, sales charges, management fees, administrative fees, account maintenance fees, transfer taxes, wire transfer fees, electronic fund fees, and other fees may be charged by the broker or dealer selected for execution of the securities transactions in the advisory accounts, by the custodian, and/or by the distributor, issuer or fund issuing the securities purchased and sold within the advisory accounts. Generally, the client is solely responsible for paying all such charges. However, from time to time, at North Star's sole discretion, North Star may pay the custody fees charged by the custodian in connection with the advisory account. North Star may

pay the fees directly or may deduct the amount of such custody fees from the advisory fee. In addition, mutual funds and certain exchange-traded funds (“ETFs”) pay management fees to their investment advisers, which reduce their respective assets. To the extent that the client’s portfolio has investments in mutual funds or ETFs, the client may pay two levels of advisory fees for the management of their assets: one directly to North Star, and the other indirectly to the managers of the mutual funds and ETFs held in their portfolios. The North Star Mutual Funds also assess additional fees and charges, which are disclosed in the applicable prospectus.

Neither the Firm nor any of its personnel receive any portion of the other fees charged except that:

1. North Star’s associated persons who are also affiliated with the North Star Mutual Funds receive fees charged by or otherwise receive compensation from the North Star Mutual Funds.
2. In consideration of the investment advisory services provided by North Star to the North Star Mutual Funds, generally, North Star is entitled to receive from the North Star Mutual Funds an investment advisory fee of up to 1.00% per annum of each fund’s average net assets computed daily and paid monthly. North Star may voluntarily agree to waive a portion of the fees payable to it on a month-to-month basis. Additional information regarding the advisory services and compensation arrangement is available in the applicable prospectus and/or Statement of Additional Information.

#### **D. Broker/Dealer Charges**

Item 12 further describes the factors that North Star considers in selecting broker/dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of an account or portfolio. At this time, we do not charge performance-based fees for the management of any accounts or funds.

### **Item 7 – Types of Clients**

North Star offers its advisory services to individuals, including high net worth individuals, pension and profit sharing plans (including ERISA plans), trusts, estates, charitable organizations, and corporations or other business entities. North Star also provides investment advice to the North Star Mutual Funds, which are open-end mutual funds registered under the Investment Company Act of 1940 and to state or municipal government entities.

When subscribing to the advisory services offered by North Star, generally, the minimum account value is US\$100,000. If the value of a client’s account declines below \$100,000 during the advisory relationship, North Star reserves the right to require the client to deposit additional monies or securities to bring the account value up to the \$100,000 minimum. The Firm may terminate the advisory relationship for failure to maintain the minimum account value. In some special cases, account minimums may be waived or negotiated.

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

### A. Methods of Analysis

When formulating investment advice, North Star generally utilizes one or more of the following security analysis methods:

1. Fundamental Analysis. Fundamental analysis is a method of attempting to measure a security's underlying value and potential for future growth (its intrinsic value) by examining economic, financial and other qualitative and quantitative factors directly related to the issuer/company as well as company-specific factors (like financial condition, management, and competition). The adviser compares the intrinsic value with the security's current price, with the aim of determining what position to take with the security (i.e., buy, sell or hold). Fundamental analysis has a number of risks: the analysis may be compromised by incorrect or stale data; the analysis method typically does not consider the influence of random events and acts of God; and, the market may fail to reach expectations of perceived value.
2. Technical Analysis. Technical analysis is a method of evaluating securities by researching the demand and supply based on recent trading volume, price studies, as well as the buying and selling behavior of investors. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts or computer programs to identify and project price trends.

North Star does not represent, warrant, or imply that any analysis method employed by the Firm can or will successfully identify market tops or bottoms. No analysis method has been proven to insulate clients from losses due to market fluctuations, corrections or declines.

### B. Investment Strategies

1. North Star Mutual Funds. Each of the North Star Mutual Funds has a particular investment strategy. The investment strategy is explained in the applicable prospectus. A client investing in a North Star Mutual Fund will receive and should read a copy of the fund's prospectus prior to making the investment.
2. Individual Accounts. Investment strategies may include long-term and short-term purchases, short selling, frequent trading, buying on margin, and option writing, including covered options, uncovered options or spreading strategies. The particular strategies employed will depend upon the individual needs and risk tolerance of the client. A short description of each of these strategies follows:
  - Buy and Hold. Generally, a long-term purchase is a purchase of a security or investment product with a view to holding the security or product for more than one year. Trade commissions are reduced by buying and selling less often and taxes are often reduced or deferred by holding positions longer.
  - Short-term purchases. A short-term purchase is a purchase of a security or investment product with the intent of possibly selling it within one year of its purchase.

- Short-term trading. Short-term trading focuses on opportunistic trades – holding investments for only brief periods. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.
  - Short sales. Short selling is a technique used to profit from the falling price of a stock. Short selling can translate into high portfolio volatility.
  - Margin transactions. An investor may buy securities with money borrowed from the broker/dealer. The borrower will be required to pay interest on the loan.
  - Option writing. Investors can sell options in order to obtain additional income from premiums paid by the option buyer. The positive potential of this strategy is limited because the most money the investor can earn is the amount of the option premium.
  - Uncovered Options and Spreading strategies. Uncovered options trading can be more risky than writing covered call options. The potential loss is theoretically unlimited. An option spread involves combining two different option strikes as part of a limited risk strategy.
3. Vanguard Direct Indexing. Some of our advisers use a direct indexing strategy for select clients who might benefit from the strategy. In a direct indexing strategy, the investor owns individual stocks in a separately managed account that represents a chosen market-capitalization-weighted benchmark. Because the investor has direct ownership of the individual securities, they gain opportunities for tax efficiency that might not be possible with an ETF or mutual fund. The direct indexing strategy provides opportunities for rebalancing as well as tax-loss harvesting of individual securities. It's possible for losses to be captured even in a year when the index gains in value. This strategy is not suitable for all investors. One problem that can arise with systematically harvesting tax losses is that, eventually, the investor will have sold all the losing stocks in the portfolio. Because of the potential capital gains that would result from selling those low-cost-basis stocks, switching to another investing strategy could be costly. For this reason, tax-loss harvesting in a personalized index is more effective when there is regular cash flow to purchase new securities. Also, the strategy is better suited for high-net-worth investors in higher tax brackets who may have realized gains from other types of investments, such as real estate, private equity, or hedge funds. We implement this strategy solely through Vanguard's platform. Clients wishing to utilize this strategy must open an account with Vanguard.

The concept of asset allocation, or spreading investments among a number of asset classes (e.g., large cap stocks vs. small cap stocks; corporate bonds vs. government debt instruments), plays a prominent role in executing an investment strategy. Asset allocation seeks to achieve diversification of assets in order to reduce the risk associated with investing all or a significant portion of a client's portfolio in one asset class. We believe that risk reduction is a key element to long-term investment success.

## C. Risks

### 1. *General Risks*

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will either be suitable or profitable for a client's investment portfolio. Past performance is not indicative of future results. A client should not

assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. North Star cannot assure that the investment objectives of any client will be realized.

Portfolio concentration can make a portfolio more volatile. The types of concentration include: class (equities, fixed income, cash), type (domestic stocks, international stocks, large company stocks, mid-size company stocks, small company stocks, growth stocks, value stocks, mutual funds, ETFs, corporate bonds, municipal bonds, structured products and principal protected notes, hedge funds, private placements), term/duration (long, medium or short term), credit quality (investment grade and non-investment grade), issuer and fund family (especially the North Star Mutual Funds. Investors should consider the greater possibility of investment loss from a portfolio with elevated levels of concentration.

## 2. *Special Risks*

While investing in any security involves risk, investing in some types of securities carries special risks. A summary of the special risks associated with some types of securities we may recommend or purchase for your account is provided below. Please note that the following summaries are general in nature and do not include an explanation of all risks associated with a given security type.

- a. Bonds. Bonds (fixed-income securities) are subject to special risks, including without limitation, interest rate risk, credit risk, liquidity risk, and inflation risk.
  - Interest Rate Risk. The value of your investment in bonds will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of the bond. In general, the market price will be affected more by changes in interest rates of bonds with longer maturities than bonds with shorter-term maturities.
  - Credit Risk. Bonds are subject to credit risk, which is the risk of default associated with the issuer. If the issuer is in default with respect to interest or principal payments, the client may lose its entire investment.
  - Liquidity Risk. There may be periods when the ability of the Firm to buy or sell bonds may be impaired by market conditions. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce the Firm's ability to sell the securities. Investments in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") may be subject to greater levels of credit and liquidity risk than "investment grade" securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments.
  - Inflation Risk. Bonds are also subject to inflation risk, which is the risk that the rate of the yield to call or maturity will not provide a positive return over the rate of inflation for the period of the investment.

Additionally, the Firm may invest in securities of relatively few issuers. Thus, the performance of one or a small number of portfolio holdings can affect overall performance.

- b. Foreign-Issued Securities. Debt and equity investments associated with foreign countries may involve increased volatility and risk due to, without limitation:

- Political Risk. Many foreign countries are undergoing, or have undergone in recent years, significant political change that has affected government policy, including changes in the regulation of industry, trade, financial markets, and foreign and domestic investment. The relative instability of these political systems leaves these countries more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic changes, social instability, or changes in government policies. For investors, the results may include confiscatory taxation, exchange controls, compulsory reacquisition, nationalization or expropriation of foreign-owned assets without adequate compensation, or the restructuring of certain industry sectors in a way that could adversely affect investments in those sectors.
- Sovereign Risk. Strikes, the imposition of exchange controls, or declarations of war may prevent or impede repayment of funds due from a particular country.
- Economic Risk. The economies of these countries may be more vulnerable to rising interest rates and inflation. Investments may be negatively affected by rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices. Additionally, a change in tax regime may result in the sudden imposition of arbitrary or additional taxes.
- Currency Risk. The weakening of a country's currency relative to the U.S. dollar or to other benchmark currencies will negatively affect the dollar value of an instrument denominated in that currency.
- Credit Risk. Issuers and obligors of sovereign and corporate debt may be unable to make timely coupon or principal payments, thereby causing the underlying debt or loan to enter into default.
- Liquidity Risk. Natural disasters as well as economic, social, and political developments in a country may cause a decrease in the liquidity of investments related to that country, making it difficult to sell quickly, and/or subjecting the seller to substantial price discounts.

The nature and extent of these risks vary from country to country, among investment instruments, and over time.

- c. Emerging Market Securities. Investments and transactions in products linked to issuers and obligors incorporated, based, or principally engaged in business in emerging markets countries carry increased risk and volatility. In addition to the political, sovereign, economic, currency, credit, and liquidity risks described above, emerging market securities can be subject to the following risks:
  - Market Risk. The financial markets can lack transparency, liquidity, efficiency.
  - Regulatory Risk. There may be less government supervision and regulation of business. The supervision that may be in place may be subject to manipulation or control. Disclosure and reporting requirements may be minimal or non-existent.

- Legal Risk. The process of legal reform may not proceed at the same pace as market developments, which could result in uncertainty. Legislation to safeguard the rights of private ownership may not yet be in place.
  - Settlement and Clearing Risk. The registration, recordkeeping and transfer of instruments may be carried out manually, which may cause delays.
- d. Mutual Funds. Most mutual funds fall into one of three main categories — money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Generally, the higher the potential return, the higher the risk of loss. A fund's investment objective and its holdings are influential factors in determining risk. Past performance is not a reliable indicator of future performance. Reading the prospectus will help you to understand the risk associated with that particular fund.

Different mutual fund categories have inherently different risk characteristics. For example, a bond fund faces credit risk, interest rate risk, and prepayment risk. Bond values are inversely related to interest rates. If interest rates rise, bond values will go down and vice versa.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons — such as the overall strength of the economy or demand for particular products or services. A sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk.

For most funds, investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. And, depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive.

- e. Municipal Securities. Credit risk is the primary risk associated with municipal securities. Different types of bonds are secured by various types of repayment sources. General obligation ("G.O.") bonds are backed by the full faith and credit and taxing power of the issuer. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of a facility or service or other dedicated revenues including special tax revenues. The probability of repayment as promised is often determined by an independent reviewer, or "rating agency." An investor might also consider that consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to G.O. bonds.
- f. Private Placements. Private placements are not subject to the same regulatory and disclosure requirements as mutual funds and exchange-traded equities. Moreover, private placement interests are generally illiquid and may charge higher fees. Private placements are offered through an offering memorandum, which contains detailed information on the various risks and fees relating to the particular investment. An offering memorandum and accompanying subscription documents will be provided to clients investing in these types of securities.
- g. Principal-protected Notes. The principal guarantee is subject to the credit-worthiness of the guarantor. In addition, principal protection levels can vary. While some products

guarantee 100 percent return of principal, others guarantee as little as 10 percent. In most cases, the principal guarantee only applies to notes that are held to maturity. Issuers may (but are not obligated to) provide a secondary market for certain notes but, depending on demand, the notes may trade at significant discounts to their purchase price and might not return all of the guaranteed amount. Some principal-protected notes have complicated pay-out structures that can make it hard for an adviser to accurately assess their risk and potential for growth.

- h. Structured CDs. Because structured CDs are generally not traded on any exchange or may be only thinly traded, they are subject to liquidity risk and can be difficult to price. Volatility and other market forces can affect the value of the asset underlying the growth component, both during the term of the CD and at maturity, and this can affect the CD's return. Some structured CDs limit participation in any appreciation of the underlying asset, capping potential return. Even with 100% principal protection, the value of a structured CD at maturity may be less than the inflation-adjusted original investment amount. While structured CDs are FDIC-insured up to applicable limits, the issuer's creditworthiness is still an important consideration, particularly for structured CD investments above the limits of FDIC insurance. Also, there are important tax considerations, both during the term of the investment and at maturity.
- i. Hedge Funds. Hedge funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. A hedge fund's performance can be volatile. An investor could lose all or a substantial portion of his or her investment. There may be no secondary market for the investor's interest in the fund. The hedge fund can be highly illiquid and there may be restrictions on transferring interests in the fund. Hedge funds are not required to provide periodic pricing or valuation information to investors. Hedge funds may have complex tax structures. There may be delays in distributing important tax information. Hedge funds are not subject to the same regulatory requirements as mutual funds. Hedge funds often charge high fees. The fund's high fees and expenses may offset the fund's trading profits.
- j. BREIT. Blackstone Real Estate Income Trust, Inc. ("BREIT") is a non-traded REIT that seeks to invest in stabilized commercial real estate properties diversified by sector with a focus on providing current income. North Star's strategies may invest in these REITs. Such investments involve a high degree of risk. REITs' share prices may decline because of adverse developments affecting the real estate industry, such as declining real estate values, changing economic conditions, and increasing interest rates. The returns from REITs may trail returns from the overall market. Additionally, there is always a risk that a given REIT will fail to qualify for favorable tax treatment or may not remain qualified as a REIT.
- k. BCRED. The Blackstone Private Credit Fund ("BCRED") is a non-exchange traded business development company ("BDC") that expects to invest at least 80% of its total assets (net assets plus borrowings for investment purposes) in private credit investments (loans, bonds and other credit instruments that are issued in private offerings or issued by private companies). North Star's strategies may invest in BCRED. Such investments involve a high degree of risk. BCES investment involves high degree of risk.
- l. BXPE. The Blackstone Private Equity Strategies Fund ("BXPE") is a non-publicly listed private equity fund that aims to provide wealthy individuals with access to the world's largest private equity platform. This is a single fund that will invest in 15+ PE



strategies. The Fund is built as a long-term private equity solution that is designed to outperform public equities, with less volatility across market cycles.

- m. BXINFRA. The Blackstone Infrastructure Strategies L.P. (“BXINFRA”) is a fund perpetual-life fund open to Accredited Investors with monthly subscriptions, quarterly repurchases (with a two-year soft lockup). BXINFRA aims to generate both long-term capital appreciation and current income by investing across Blackstone’s infrastructure platform.

Prior to entering into an investment advisory agreement with North Star, a client should carefully consider committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis.

### ***3. Risk Factors for Funds Managed by the Firm***

An investment in any of the North Star Mutual Funds carries risks that are particular to that fund. A client considering an investment in any of the North Star Mutual Funds should carefully consider the risks discussed in the applicable fund’s prospectus. Additionally, North Star clients may collectively own more than a 5% interest of the outstanding shares of a company. This may limit the ability to sell those shares in the open market due to liquidity or regulatory restrictions.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events related to the adviser or the adviser’s management. Neither North Star nor any of its management personnel has been subject to any such legal or disciplinary events.

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

- A. The Firm is neither registered nor has an application pending to register as a securities broker/dealer. However, certain management persons of the Firm are registered as representatives of NewEdge Securities, Inc., an unaffiliated broker/dealer.
- B. Neither the Firm nor any management person of the Firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing entities.
- C. The Firm has arrangements that are material to its business with the following affiliated or related entities.
  - 1. North Star Benefits, LLC. North Star and North Star Benefits, LLC (“NSB”), an insurance agency, are under common control. Certain Investment Adviser Representatives of North Star are also associated persons of NSB. The owner of North Star has an inherent financial interest in recommending the use of NSB as an insurance source. To the extent that NSB or its associated persons receive commissions or other compensation for the purchase of insurance products recommended by North Star, there is a conflict of interest.

2. North Star Mutual Funds. North Star serves as investment adviser to the North Star Mutual Funds and receives compensation from the funds for the advisory services rendered. North Star has an inherent financial interest in soliciting its advisory clients to invest in the North Star Mutual Funds. When constructing the investment portfolio for the discretionary advisory accounts, we often prefer to allocate a large portion (up to 100%) of the client's portfolio into the North Star Mutual Funds. The portion allocated to the North Star Mutual Funds may vary depending on market or other conditions. Where the North Star Mutual Funds are used in furtherance of an investment strategy, there is a conflict of interest because North Star receives more overall revenue than when the North Star Mutual Funds are not included in the portfolio. North Star manages this conflict through disclosure to clients.

- D. While we do not generally recommend or select other investment advisers for our clients, we might do so as part of the family office and financial concierge services. We do not receive compensation from any investment adviser we recommend or select.

## **Item 11 – Code of Ethics**

Securities industry regulations require that advisory firms provide their clients with a general description of the advisory firm's Code of Ethics. North Star has adopted a Code of Ethics that sets forth the governing ethical standards and principles of the Firm. It also describes North Star's policies regarding the following: the protection of confidential information, including the client's nonpublic personal information; the review of the personal securities accounts of certain personnel of the Firm for evidence of manipulative trading, trading ahead of clients, and insider trading; trading restrictions; training of personnel; and, recordkeeping. All supervised persons at North Star must acknowledge the terms of the Code of Ethics upon hire and as amended.

Subject to satisfying the Firm's policies and applicable laws, Firm personnel may trade for their own accounts in securities that are recommended to and/or purchased for Firm's clients. The Code of Ethics is designed to permit personnel to invest for their own accounts while assuring that their personal transaction activity does not interfere with making decisions in the best interest of advisory clients and the North Star Mutual Funds or implementing those decisions. Neither the Firm nor any associated person of the Firm who (a) has access to nonpublic information regarding clients' securities transactions, (b) is involved in making securities recommendations to clients, or (c) has access to securities recommendations that are not public (collectively, the "Access Persons") is permitted to trade in or engage in a securities transaction to his or her advantage over that of a client. Access Persons are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. Access Persons may not execute transactions in their personal accounts ahead of a client's transaction in the same security unless certain circumstances exist. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored by the Firm's Chief Compliance Officer or other Registered Principal in an effort to prevent conflicts of interest between North Star and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with North Star's obligation of best execution. In such circumstances, all persons participating in the aggregated order will receive an average share price. See Item 12.C below for additional information concerning aggregated trades.

Our clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting the Chief Compliance Officer at the address or telephone number specified on the cover page and requesting a copy.

Certain separately managed accounts may invest in the North Star Mutual Funds. The Firm's shareholders have an inherent financial interest in directing investments in the North Star Mutual Funds and there is a conflict of interest. The Chief Compliance Officer reviews all such investments to ensure that such investments are consistent with the risk profile and investment objectives of the separately managed account.

## **Item 12 – Brokerage Practices**

### **A. Recommendation of Broker/Dealer**

North Star may suggest a broker/dealer to a client. However, such recommendations are not related to or premised on the receipt of products, research or services from the broker/dealer.

### **B. Selection of Broker/Dealer**

When a client retains North Star to manage his/her account on a discretionary basis, the client grants North Star the authority to select the broker/dealer(s) that will be used to place and execute the transactions in the advisory accounts.

1. Selection Factors. It is the policy and practice of North Star to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In selecting a broker, dealer or other intermediary, North Star will consider such factors that in good faith and judgment it deems reasonable under the circumstances. Factors North Star may consider include, without limitation, the following:
  - Execution ability, including trading experience in markets/securities needed, quality of trading, and clearance and settlement efficiency and accuracy;
  - Accuracy and timeliness of order execution, reports and confirmations;
  - Costs, including commission rates, ticket charges, other service charges, and the means to correct errors in an acceptable manner;
  - Customer service, including responsiveness to the Firm;
  - Commitment to technology and security of confidential information;
  - Adequacy of capital and financial responsibility; and
  - Reputation and integrity.
2. Use of NewEdge Securities, Inc. North Star routinely directs brokerage to NewEdge Securities, Inc. for discretionary advisory accounts. Not all advisers require their clients to direct brokerage to a particular broker/dealer. By directing brokerage, the client may be unable to achieve most favorable execution and this practice may cost clients more money.

NewEdge Securities, Inc. clears through National Financial Services, LLC ("NFS"). North Star has evaluated certain factors in connection with its selection of NewEdge Securities, Inc. as the broker/dealer. Listed below are the chief conclusions North Star drew from its evaluation of its arrangement with NewEdge Securities, Inc.:

- NewEdge Securities, Inc. has expertise in the markets and types of securities desired.
  - NFS has the ability to execute in the desired markets.
  - NFS is a qualified custodian.
  - The proximity of the NewEdge Securities, Inc. traders to the advisory staff facilitates the communication process and allows for rapid handling of execution instructions.
  - Costs, including commission rates, ticket charges, and other service charges are competitive with other clearing firms providing similar services.
  - NFS provides speedy, efficient, and accurate execution.
  - Generally, clearance and settlement is efficient and accurate.
  - NFS' customer service team is responsive to the Firm.
  - NewEdge Securities, Inc. and NFS are committed to technology and the security of confidential information.
  - There is no indication that NewEdge Securities, Inc. or NFS would be unable to fulfill its financial responsibilities or is at risk for financial insolvency.
  - NFS' reputation and integrity are paramount to its success.
3. “Soft Dollar” Considerations. A “soft dollar” arrangement occurs when a firm directs its brokerage to a particular broker/dealer that charges brokerage commissions that are higher than they would be for an "execution only" trading relationship in exchange for products or services, such as research. Under such an arrangement, the firm would receive a benefit because it would not have to produce or pay for the products or research. North Star is not a party to any “soft dollar” arrangements.

Clients may pay commissions higher than those obtainable from other brokers for the same services rendered by NewEdge Securities, Inc. or any other broker/dealer selected or recommended to the client by the Firm. In observance of its fiduciary duty, the Firm will, at least annually, conduct a survey to determine whether the Firm is meeting its duty of best execution through the use of NewEdge Securities, Inc.

### C. Batched Trades Execution Policy

Trade allocation decisions are made among client accounts on a fair and equitable basis to ensure that no single relationship has a trading advantage. When two or more client accounts are simultaneously engaged in the purchase or sale of the same security, to the extent possible, the transactions will be aggregated in a single trade. These circumstances may give rise to actual or potential conflicts of interest among the accounts participating in an aggregated trade, especially if the aggregated trade order results in a partial fill. In order to address these conflicts, North Star has adopted certain policies and procedures that it follows when aggregating trades in an effort to provide an objective and equitable method of trade allocation so that all clients are treated fairly. The basic objectives of these policies and procedures are as follows:

1. North Star will only aggregate trades when it believes that such aggregations are consistent with its duty to seek best execution for its clients.
2. North Star will strive to ensure that no client account is favored over any other client account.

3. Participating accounts will receive the security at an average share price on the aggregated trade.
4. Commission rates will not be charged to clients *pro rata*, but rather according to the broker/dealer's commission schedule as applicable to each participating client.
5. Partially-filled block trades will be allocated on a percentage basis with a 25 share minimum, in increments of 25, with a \$1,000 minimum transaction.

#### **D. "Internal Cross" Transactions**

From time to time, North Star may engage in internal cross transactions. An internal cross transaction occurs when North Star causes a security to be traded between two advisory clients at the same price. Generally, the overall objective of the transaction is to obtain more favorable prices for the securities being purchased or sold. North Star will only perform such transactions where the purchase and sale of the same security at the same time by different clients helps to achieve more favorable terms for each client, compared to placing separate transactions in the marketplace. The Firm will not involve any ERISA account in any internal cross transaction.

By entering into a standard discretionary account management agreement with North Star, the client is consenting to internal cross transactions. Because internal cross transactions can be perceived as a conflict of interest, since they are not traditional arms-length transactions and consequently, could result in cherry picking or self-dealing, a client has the right to withdraw this consent at any time. North Star strives to ensure that one customer is not favored over another and has attempted to mitigate such conflicts by adopting the following policies and procedures:

1. The Chief Compliance Officer or other member of Senior Management must pre-approve each internal cross-transaction.
2. The security being sold may only be purchased by another client when there is a need and such security meets the purchasing client's investment objectives and is attractively priced.
3. The Firm must obtain independent prices for the security from a third party broker/dealer.
4. The transaction must be priced at the mid-point between the best bid and offer prices obtained for the relevant size order.
5. Neither the Firm nor its associated persons may receive commissions or any other transaction-based compensation in connection with the transaction.
6. The Firm must notify each client participating in the order that the trade was an internal cross transaction (typically, the disclosure is provided on the trade confirmation).

#### **E. Interpositioning**

NewEdge Securities, Inc. acts in an agency capacity for the trades it places. Over-the-counter trades effected on a client's behalf on an agency basis may result in the interpositioning of broker/dealers whereby transactions may be subject both to commissions and to a mark-up or mark-down. Furthermore, broker custody of a client's assets may limit or eliminate North Star's ability to obtain best price and execution of transactions in over-the-counter securities (since fees may be charged also by the custodian broker).

## **F. Trade Error Policy**

From time to time, errors may occur in the trading process, including (1) overbuying or overselling of securities, into or out of an account, caused by clerical errors made by North Star's personnel, or (2) buying or selling of securities, into or out of an account, which is in violation of a client's stated investment guidelines that had been previously communicated to us in writing.

In the event any trade error is caused by us, it is our policy to endeavor to resolve the error in the best interests of the client. This means that, where possible and where it is in the best interest of the client, trades are adjusted as needed in order to put the client's account in such a position as if the error had never occurred. We will reimburse clients for any losses resulting from a trade error together with interest at the annual rate of 4% or current market, whichever is greater. In the event that a trade error by us results in a gain, we will follow the policies and procedures regarding trade error gains that are put in place by the applicable broker/dealer and/or custodian. If North Star receives any portion of the trade error gain, we will donate it to charity. If a gain results in additional advisory fees being paid to North Star, we will return to the client the differential in the advisory fee.

## **Item 13 – Review of Accounts**

### **A. Account Reviews**

**MANAGED ACCOUNTS.** Accounts are reviewed at least monthly by North star. Mr. Gottlieb, President of North Star, and/or Mr. Kuby, Chief Investment Officer of North Star, regularly analyze market and economic activity. The allocations of the portfolios are adjusted at their discretion according to the investment policy statement generated for the client and in accordance with the client's investment objectives, risk tolerance, and financial needs.

**FINANCIAL PLANNING.** Upon delivery of the advisory report or upon the close of the meeting wherein the advisory recommendations are presented to the client, North Star does not have a continuing responsibility to monitor the client's accounts or make recommendations to the client.

**FINANCIAL PLANNING FOR RETIREMENT PLANS.** At least quarterly, North Star will review the Plan's investment options and provide the Plan with a report, which report will include a comparison of the performance of the Plan's investment options to appropriate benchmarks. At least annually, North Star will perform a comprehensive review of the Plan and the Plan's investment options to assist the client in determining suitability and retention of the Plan's investment options.

**FAMILY OFFICE AND FINANCIAL CONCIERGE.** Reviews are performed by an Investment Adviser Representative of North Star. The timing and extent of the reviews are dictated by the client's unique needs and will be discussed with the client upon engagement. The Investment Adviser Representative handling the account will meet with the client at least annually to review the scope of services rendered.

### **B. Reports to Clients**

The executing broker/dealers and/or custodians who maintain the client accounts will notify the client of any account activity by delivering a confirmation of the transaction to the client. The executing broker/dealer(s) or the custodian(s) will also furnish the client with a monthly or

quarterly account activity and position statement. In addition, North Star may periodically provide performance reports to its clients.

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

### **A. Economic Benefits**

Other than the benefits described in Items 10.C and 12 above, neither the Firm, nor any of our employees, receives any other economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

### **B. Referral Fees**

1. For the Introduction of Clients to North Star. North Star pays referral fees to persons or entities for the referral or introduction of advisory clients to the Firm. There is no differential in the fees charged to the client by North Star attributable to the arrangement between the referring party and North Star. In other words, North Star will not charge a client who is referred by another party any fees other than the fees typically charged to other clients. The amount of the referral fee is determined on a case-by-case basis. North Star has referral arrangements with multiple persons or entities whereby North Star, in general, pays to the referring party 25% to 50% of the advisory fees generated by the accounts introduced by the referring party. As of the date of this Brochure, North Star has referral arrangements with NewEdge Securities, Inc., DDS Investment Management, and Sorinsky & Associates. After the effective date of this Brochure and prior to date on which the next Brochure is issued, North Star may enter into referral arrangements with other parties not listed in this Section 14.B whereby North Star pays a one-time or ongoing referral fee to a referring party for the introduction of clients to North Star. In all such cases where a referral fee is paid, the client will receive a document identifying the referring party and describing the fee arrangement. Generally, North Star will continue to pay the referral fee for so long as the client is an advisory client of North Star.
2. For the Introduction of Clients to Mr. Schwerin and North Star. Mr. Matthew Schwerin is an investment adviser representative of North Star and also serves as President of the Board of Directors of Flanagan State Bank (“FSB”), which is a subsidiary of Hometown Financial Group (“HFG”), which, in turn, is wholly-owned by Mr. Schwerin’s family. HFG and FSB refer clients to Mr. Schwerin and North Star and, in return, Mr. Schwerin shares with FSB a portion of his income from North Star. HFG and FSB have an inherent financial interest in recommending Mr. Schwerin’s services and Mr. Schwerin benefits from such referrals both in his capacity as an investment adviser representative of North Star and in his capacity as an affiliated person of FSB.
3. For the Referral of Investors into the Managed Funds. North Star has entered into an agreement with Michigan-based Regal Investment Advisors, LLC (“Regal”), whereby North Star will pay to Regal a referral fee for the introduction of persons or entities who make an investment into the North Star Mutual Funds or any private funds or similar investment vehicles managed by North Star. Under this agreement, North Star pays Regal an annualized referral fee equal to 30 to 45 basis points of the value of the referred investments. The referral fees are not predicated on the establishment of any advisory account with North Star. Rather, under this arrangement, North Star pays Regal based on the aggregate investments made by Regal’s clients into the North Star Mutual Funds or other funds managed by North Star. The amount payable under



the agreement will be proportionately reduced in the event North Star's investment management fees from the funds are reduced. The referral fee will be paid for so long as North Star receives the management fee from the applicable fund in which the referred investors invest. North Star and Regal are not affiliated or under common control. Mr. Kuby will not receive any compensation from Regal for his service on the investment committee. Clients of Regal should review Regal's Brochure for applicable disclosures.

## **Item 15 – Custody**

Generally, North Star does not obtain custody of any other client's monies or securities. For the Family Office and Financial Concierge services, the Investment Adviser Representative providing the services may obtain signatory authority over certain of the client's cash or securities, either through the family office services agreement, a power of attorney or other authorizing document. In such a case, the custody of such assets becomes attributable to North Star and North Star will closely monitor the movement of such assets. Investment Adviser Representatives might also serve as trustee, executor or conservator or in some similar capacity in connection with assets of persons who are not our clients. In those cases, we will not necessarily monitor the movement of those assets and such assets are not attributable to us for custody purposes.

Clients should receive, on at least a quarterly basis, statements from the broker/dealer, bank or other qualified custodian that holds and maintains the client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the performance reports that we provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

North Star offers discretionary management services and financial planning services. North Star obtains discretionary authority only in connection with its discretionary management services. When a client elects North Star's discretionary management services, the client will sign an agreement that provides North Star with the discretionary authority. North Star is then authorized to select the securities and the quantities or amounts of securities to be purchased, leveraged, transferred, exchanged, traded and sold consistent with the stated investment objectives, risk profile, and investment restrictions adopted by the client. North Star's investment decisions must complement the investment objectives and risk profile of the client. North Star's discretionary authority is limited by (a) any reasonable restrictions that the client places on the management of the account, and (b) the investing parameters set forth by North Star and the client, if any. If North Star deems a proposed restriction unreasonable, North Star may discontinue the advisory service. Reasonability is based on whether the restriction(s) will impose a significant time burden on North Star to comply with such restrictions. North Star also reserves the right not to accept and/or terminate management of a client's account if it feels that the client-imposed restrictions would limit or prevent it from meeting and/or maintaining its overall investment strategy.

As described above, North Star also obtains the authority to designate the broker/dealers or other financial intermediaries through whom transactions in the accounts will be executed, cleared or settled.



## Item 17 – Voting Client Securities

North Star exercises proxy voting authority over certain clients' securities. (North Star will not vote proxies for accounts for which North Star provides financial planning services.) When voting proxies, North Star will not be influenced by external sources whose interests conflict with the interests of North Star's advisory clients. Any conflict of interest will be resolved in the interests of the advisory clients. If, in voting shares, North Star identifies a material conflict of interest between North Star's interests (including those of its senior personnel) and those of the advisory clients, North Star will disclose the conflict to the relevant client(s). In such cases, North Star will defer to the voting recommendation of an independent third party provider of proxy services, send the proxy directly to the relevant client(s) for a voting decision, or take such other action in good faith which would protect the interests of the advisory clients.

North Star has adopted general guidelines for voting proxies. These guidelines are not necessarily determinative in all cases and North Star may cast votes contrary to the general guidelines, should the facts and circumstances warrant. In all cases, North Star will, in good faith, vote the proxies in the advisory clients' interests. A non-exhaustive list of the general guidelines is summarized below:

- A. North Star should give great weight to the recommendations of the company's management so long as the ratification of the management's position would not adversely affect the investment merits of owning that company's shares.
- B. North Star supports an independent board of directors, and prefers that key committees such as audit, nominating, and compensation committees be comprised of independent directors.
- C. North Star opposes ratification of auditors when there is clear and compelling evidence of accounting irregularities or negligence attributable to the auditors.
- D. A company's equity-based compensation plan should be in alignment with the shareholders' long-term interests.
- E. North Star opposes anti-takeover measures.
- F. Corporate restructuring proposals are also subject to a thorough examination on a case-by-case basis.
- G. North Star will generally vote in favor of employee stock ownership plans, employee stock purchase plans, and 401(k) plans.
- H. North Star opposes dual-class capital structures to increase the number of authorized shares where that class of stock would have superior voting rights.
- I. North Star supports management's position relating to social, environmental and ethical issues unless North Star believes that supporting the position will materially and adversely affect the economic interests of its advisory clients.

You may obtain a copy of North Star's Proxy Voting Policies as well as North Star's voting record for your shares by writing to North Star and requesting a copy.

## **Item 18 – Financial Information**

We are required in this Item to provide you with certain information or disclosures regarding our financial condition. Following is the information responsive to this Item:

- A. The Firm does not require prepayment of more than \$1200 in fees six months or more in advance.
- B. There are no financial conditions or commitments that are likely to impair the Firm's ability to meet any contractual or fiduciary commitment to our clients.
- C. The Firm has not been the subject of a bankruptcy petition.