

# Shepherd Financial Partners, LLC

## Form ADV Part 2A Brochure

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**This brochure provides information about the qualifications and business practices of Shepherd Financial Partners, LLC. If you have any questions about the contents of this brochure, please contact R. Mark Shepherd, Chief Executive Officer and Chief Compliance Officer at (781) 756-1804. 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 Shepherd Financial Partners, LLC also is available on the SEC's website at <https://adviserinfo.sec.gov/Firm/169093>.**

**References herein to Shepherd Financial Partners, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2      Material Changes**

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### **Annual Update**

In this Item of Shepherd Financial Partners, LLC's (or the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated March 29, 2019.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, the Firm has no material changes to report.

### **Full Brochure Available**

Shepherd Financial Partners' Form ADV may be requested at any time, without charge by contacting R. Mark Shepherd, Chief Executive Officer and Chief Compliance Officer at (781) 756-1804.

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## Item 4 Advisory Business

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Shepherd Financial Partners, LLC (or the Firm) is a limited liability company formed in the state of Delaware in June 2015. Shepherd Financial Partners became registered as an Investment Adviser Firm in August 2015. The Firm is principally owned by R. Mark Shepherd.

As discussed below, Shepherd Financial Partners offers to its clients (individuals, high net-worth individuals business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT MANAGEMENT SERVICES**

Shepherd Financial Partners provides discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap *fee* basis. (See discussion below). If a client determines to engage the Firm on a wrap fee basis, the client will pay a single fee for bundled services (i.e. investment management, brokerage, custody). However, if the client determines to engage the Firm on a non-wrap fee basis the client will select individual services on an unbundled basis and pay for each service separately (i.e. investment management, brokerage, custody).

The Firm's annual investment management fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Firm), the Firm may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### **NON-WRAP FEE BASIS**

Shepherd Financial Partners may provide discretionary and/or non-discretionary investment advisory services on a non-wrap *fee* basis. The Firm's annual investment advisory fee shall vary (typically up to 1.35% of the total assets placed under the Firm's management/advisement) and shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Firm's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. See Fee Differential disclosure below.

### **SHEPHERD FINANCIAL PARTNERS WRAP PROGRAM**

Shepherd Financial Partners may provide discretionary investment management services on a wrap fee basis in accordance with the Firm's investment management wrap fee program (the "Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Firm's Form ADV Part 2A Appendix 1 (Wrap Fee Program Brochure), a copy of which is presented to all

prospective Program participants. Under the Program, the Firm is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, account maintenance, investment management fees, and fees charged by independent managers and/or separately managed accounts. However, clients may be responsible for, but not limited to, trustee fees, mutual fund expenses, ETF expenses, mark-ups, mark-downs, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees are in addition to any fees paid by the client to the Firm and are between the client and the account custodian. The current annual Program fee shall vary (up to 1.50% of the total assets placed under the Firm's management/advisement) and shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Firm's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. See Fee Differential disclosure below.

The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements. All prospective Program participants should read both Shepherd Financial's Brochure and Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. LPL Financial ("LPL") shall serve as the custodian for Program accounts.

As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. If the client were to engage Shepherd Financial Partners on a non-wrap fee basis, the client would select individual services on an unbundled basis, paying for each service separately (i.e. asset management, brokerage, and custody). When managing a client's account on a wrap fee basis, the Firm shall receive as payment for its asset management services, the balance of the wrap fee after all other costs (including account transaction fees) incorporated into the wrap fee have been deducted. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by the Firm for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

**Conflict of Interest.** Because Program transaction fees and/or commissions are being paid by the Firm to the account custodian/broker-dealer, the Firm could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Shepherd Financial Partners provides financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. The Firm's planning and consulting fees are negotiable, but generally range from \$2,000 to \$250,000 on a fixed fee basis, and from \$75 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Firm to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with the Firm setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to the Firm commencing services.

If requested by the client, the Firm may recommend the services of other professionals for implementation purposes, including certain of the Firm's representatives in their individual capacities as Registered Representatives of LPL Financial ("LPL"), in their capacities as licensed insurance agents or as a certified public accountant ("CPA"). (See disclosure below at Items 10.C below). The client is under no obligation to engage the services of any such recommended professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Firm.

If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not Shepherd Financial, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify the Firm if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Firm's previous recommendations and/or services.

### **RETIREMENT CONSULTING**

Shepherd Financial Partners provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Firm shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a Retirement Plan Consulting Agreement between the Firm and the plan sponsor.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by the client, Shepherd Financial Partners may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Firm does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Accordingly, the Firm does not prepare estate planning documents or tax returns. To the extent requested by a client, the Firm may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Firm in their separate individual capacities as Registered Representatives of LPL, licensed insurance agents or as a CPA. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Firm and/or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not Shepherd Financial, shall be responsible for the quality and competency of the services provided.

The recommendation by the Firm's representative that a client purchase a securities or insurance commission product through the Firm's representative in their separate and individual capacity as a Registered Representative of LPL and/or as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through such a Registered Representative. Clients are reminded that they may purchase securities and insurance products recommended by the Firm through other, non-affiliated broker-dealers and/or insurance agents. **Shepherd Financial Partners' Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Fee Differentials.** As discussed above, Shepherd Financial Partners shall price its services based upon various objective and subjective factors. As a result, the Firm's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by the Firm to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Non-Discretionary Service Limitations.** Clients that determine to engage the Firm on a

non-discretionary investment advisory basis must be willing to accept that the Firm cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Firm will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Firm recommends that a client roll over their retirement plan assets into an account to be managed by the Firm, such a recommendation creates a conflict of interest if the Firm will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by the Firm.

**Use of Mutual Funds.** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by the Firm independent of engaging the Firm as an investment advisor. However, if a client or prospective client determines to do so, they will not receive the benefit of the Firm's initial and ongoing investment advisory services.

**Private Investment Funds.** The Firm may provide investment advice regarding unaffiliated private investment funds. The Firm's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of the Firm calculating its investment advisory fee. The Firm's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.



**Valuation.** If Shepherd Financial Partners bills an investment advisory fee based upon the value of private investment funds or otherwise references private investment funds owned by the client on any supplemental account reports prepared by Shepherd Financial, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

**Independent Managers.** The Firm may allocate (and/or recommend that the client allocate a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. The Firm will continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The Firm generally considers the following factors when recommending Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, the Firm's advisory fee as set forth in Item 5.

**Inverse/Enhanced Market Strategies.** The Firm may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Firm, in writing, not to employ any or all such strategies for their accounts.

**Client Obligations.** In performing its services, the Firm shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Firm if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising the Firm's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Firm's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

The Firm shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Firm shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Firm's services.

There is no significant difference between how the Firm manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage the Firm on a wrap fee basis the client will pay a single fee for bundled services (i.e. asset management, brokerage, custody) (See Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need.

When managing a client's account on a wrap fee basis, the Firm shall receive as payment for its asset management services, the balance of the wrap fee after all other costs (including account transaction fees) incorporated into the wrap fee have been deducted.

**Conflict of Interest.** Because Program transaction fees and/or commissions are being paid by the Firm to the account custodian/broker-dealer, the Firm could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. **Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.**

#### **REGULATORY ASSETS UNDER MANAGEMENT**

As of March 27, 2020, Shepherd Financial Partners had \$548,543,682 in assets under management; managed on a discretionary basis.

## Item 5 Fees and Compensation

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### **INVESTMENT MANAGEMENT SERVICES**

Shepherd Financial Partners provides discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap *fee* basis. If a client determines to engage the Firm on a wrap fee basis, the client will pay a single fee for bundled services (i.e. investment management, brokerage, custody). However, if the client determines to engage the Firm on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment management, brokerage, custody).

### **NON-WRAP FEE BASIS**

If Shepherd Financial Partners provides discretionary and/or non-discretionary investment advisory services on a non-wrap *fee* basis, the Firm's annual investment advisory fee shall vary (typically up to 1.35% of the total assets placed under the Firm's management/advisement) and shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Firm's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement.

### **SHEPHERD FINANCIAL PARTNERS WRAP PROGRAM**

Shepherd Financial Partners provides investment management services on a wrap fee basis in accordance with the Firm's investment management wrap fee program (the "Program"). Under the Program, the Firm is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, account maintenance, investment management fees and fees charged by independent managers and/or separately managed accounts. The current annual Program fee shall vary (up to 1.50% of the total assets placed under the Firm's management/advisement) and shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Firm's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement.

The Wrap Fee Program Brochure is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read both Shepherd Financial's Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to choosing to participate in the Program.

*LPL* shall serve as the custodian for Program accounts.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Shepherd Financial Partners provides financial planning and/or consulting services

(including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. The Firm's planning and consulting fees are negotiable, but generally range from \$2,000 to \$250,000 on a fixed fee basis, and from \$75 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Clients may elect to have the Firm's advisory fees deducted from their custodial account. Both the Firm's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Firm's investment advisory fee and to directly remit that management fee to the Firm in compliance with regulatory procedures. In the limited event that the Firm bills the client directly, payment is due upon receipt of the Firm's invoice. The Firm shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Firm shall generally recommend that LPL Financial ("LPL") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as LPL charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to the Firm's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Asset Based Pricing Limitations.** The Firm may recommend that its clients enter into an asset-based pricing agreement with the account custodian. Under an asset-based pricing arrangement, the amount that the client will pay the custodian for account commission/transaction fees is based upon a percentage (%) of the market value of the client's account (generally, the greater the market value, the lower the %). This differs from transaction-based pricing, which assesses a separate commission/transaction fee against the client's account for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by the client to the account custodian. The Firm does not receive any portion of the asset-based transaction fees payable by the client to the account custodian. The Firm continues to believe that its clients may benefit from an asset-based pricing arrangement. The client can request at any time to switch from asset-based pricing to transaction-based pricing, however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by the client to switch to transaction-based pricing could prove to be economically disadvantageous. Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions

about asset-based pricing.

The Firm's annual investment advisory fee shall be prorated and paid quarterly, in advance, based on market value of the assets under management on the last business day of the previous quarter.

The *Investment Advisory Agreement* between the Firm and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Firm shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

**Securities Commission Transactions.** In the event that the client desires, the client can engage the Firm's representatives, in their individual capacities, as Registered Representatives of LPL Financial ("LPL"), a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through LPL, LPL will charge brokerage commissions to effect securities transactions, a portion of which commissions LPL shall pay to the Firm's Registered Representatives, as applicable. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker-dealers. In addition, LPL, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

**Conflict of Interest.** The recommendation that a client purchase a commission product from LPL presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from the Firm's Registered Representatives. Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Clients may purchase investment products recommended by the Firm through other, non-affiliated broker dealers or agents.

The Firm does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Firm recommends to its clients.

When Firm's Registered Representatives sell an investment product on a commission basis, the Firm does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Firm's Investment Adviser Representatives do not also receive commission compensation for

such advisory services. However, a client may engage the Firm to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Firm's Registered Representatives on a separate commission basis.

#### **GENERAL INFORMATION ON COMPENSATION AND OTHER FEES**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

Unless Shepherd Financial Partners has been engaged on a wrap-fee basis, Shepherd Financial's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. All clients who maintain mutual funds or exchange traded funds in their portfolio shall incur charges at the fund level. All such fees are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to the Firm's fee, and the Firm shall not receive any portion of these commissions, fees, and costs.

All fees paid to the Firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and variable annuity sub-accounts to their shareholders. These fees and expenses are described in each fund's or sub account's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

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

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Neither Shepherd Financial Partners nor any supervised person of the Firm accepts performance-based fees.

## **Item 7      Types of Clients**

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Shepherd Financial's clients shall generally include individuals, high net-worth individuals, business entities, pension and profit-sharing plans, trusts, estates and charitable organizations. The Firm, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).



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

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The Firm may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Quantitative – (analysis performed on momentum indicators such as earnings revisions changes in macro-economic factors, etc.)

The Firm may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Firm) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

The Firm's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Firm must have access to current/new market information. The Firm has no control over the dissemination rate of market information; therefore, unbeknownst to the Firm, certain analyses may be compiled with outdated market information, severely limiting the value of the Firm's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Firm's primary investment strategies - Long Term Purchases and Short-Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment

time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

In addition to the fundamental investment strategies discussed above, the Firm may also utilize certain options transactions.

**Covered Call Writing.** Covered call writing is the sale of in-, at-, or out-of- the money call option against a long security position held in a client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

**Components of Investment Portfolios:** The Firm may utilize a diverse set of asset classes to gain exposure. These are generally liquid investments, which are traded in the public markets, and include cash, bonds, stock, real estate funds, industry sector funds and commodity funds. Bond market participation is generally through bond market mutual funds but could also be through bond ETFs and individual bonds. Stock investment vehicles may include: ETFs, index mutual funds, actively managed mutual funds, and publicly traded individual stocks. Real estate vehicles include US and foreign REITs, and real estate mutual funds. Commodity vehicles may include: commodity mutual funds, commodity index funds, and exchange traded notes.

**Although Shepherd Financial Partners manages assets in a manner consistent with risk tolerances, there can be no guarantee that the Firm's efforts will be successful. In addition to the risks noted above, clients should also consider the following types of risks:**

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country.

This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties (i.e. Non-traded REITs and other alternative investments) are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9      Disciplinary Information**

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Neither Shepherd Financial Partners nor any of its Management Persons have been the subject of a disciplinary action.

## Item 10 Other Financial Industry Activities and Affiliations

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Neither Shepherd Financial, nor its representatives, are registered or have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

**Registered Representatives of a Broker Dealer.** Certain of the Firm's representatives are Registered Representatives of *LPL*, a FINRA member broker-dealer. Clients can choose to engage the Firm's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

**Conflict of Interest:** The recommendation by the Firm's representatives, that a client purchase a securities commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from the Firm's representatives. Clients are reminded that they may purchase securities products recommended by the Firm through other, non-affiliated registered representatives. **Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

**Licensed Insurance Agency.** A related person of Shepherd Financial Partners is the owner of a licensed insurance agency, Jarvis Insurance Brokerage Agency of Massachusetts, Inc. The individual is an independent agent offering various types of insurance coverage. Fees charged for insurance sales is separate and distinct from any investment advisory fees charged by Shepherd Financial. Shepherd Financial Partners has no affiliation with Jarvis Insurance Brokerage Agency of Massachusetts, Inc.

While this relationship may create a conflict of interest as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, Shepherd Financial Partners has procedures in place to ensure that any insurance recommendations are in the best interest of clients regardless of any additional compensation earned.

Clients are not obligated to use Jarvis Insurance Brokerage Agency of Massachusetts, Inc. for insurance products, nor are they obligated to purchase insurance products through IARs with Shepherd Financial. Clients may work with any insurance agent they choose.

**Licensed Insurance Agents.** Certain of the Firm's representatives are, in their separate individual capacities, licensed insurance agents. As discussed above, clients can choose

to engage these representatives, in their individual capacities to affect the purchase of insurance products on a commission basis.

**Conflict of Interest:** The recommendation by the Firm that a client purchase an insurance commission product through one of its representatives in their individual capacities presents a conflict of interest. No client is under any obligation to engage the services of our representatives in their individual capacities as licensed insurance agents. Furthermore, clients are reminded that they may purchase insurance commission products recommended by the Firm through other, non-affiliated insurance agents. **Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

Certified Public Accountants. Certain of the Registrant's representatives are, in their separate individual capacities, CPAs. As discussed above, clients can choose to engage these individuals, in their separate capacities to provide accounting services.

**Conflict of Interest.** The recommendation by the Firm that a client engage the accounting services offered by one of our representatives in their individual capacity as a CPA presents a conflict of interest. No client is under any obligation to engage the services of our representatives in their individual capacities as CPAs. Furthermore, clients are reminded they may engage the CPA of their choice.

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

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Shepherd Financial's Supervised Persons must comply with a Code of Ethics (the Code) and Statement for Insider Trading. The Firm's Code serves to establish a standard of business conduct for all of Firm's Supervised Persons that is based upon fundamental principles of openness, integrity, honesty and trust.

The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

The Firm's Supervised Persons must acknowledge the terms of the Code at least annually. Any individual not in compliance with the Code may be subject to termination.

Clients and prospective clients may obtain a copy of the Firm's Code upon request.

Neither the Firm nor any related person of Firm recommends, buys, or sells for client accounts, securities in which the Firm or any related person of the Firm has a material financial interest.

The Firm and/or Supervised Persons of the Firm *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Firm and/or Supervised Persons of the Firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Firm did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Firm's clients) and other potentially abusive practices.

The Firm has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Firm's "Access Persons". The Firm's securities transaction policy requires that an Access Person of the Firm must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Each quarter, Access Persons shall provide a summary of their personal transactions to the

Chief Compliance Officer or his/her designee. Each Access Person must also provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Firm selects.

The Firm and/or Supervised Persons of the Firm *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Firm and/or Supervised Persons of the Firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above, the Firm has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of the Firm's Access Persons.

It is the Firm's policy that it will not affect any principal or agency cross securities transactions for client accounts. The Firm will also not cross trades between client accounts.



## Item 12 Brokerage Practices

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In the event that the client requests that Shepherd Financial Partners recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Firm to use a specific broker-dealer/custodian), the Firm generally recommends that investment management accounts be maintained at *LPL*. Prior to engaging the Firm to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with the Firm setting forth the terms and conditions under which the Firm shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Firm considers in recommending *LPL* (or any other broker-dealer/custodian to clients) include historical relationship with the Firm, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by the Firm's clients shall comply with the Firm's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Firm determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, the Firm's investment management fee. The Firm's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Certain of the Firm's associated persons are also, in their individual capacities, Registered Representatives of *LPL*. As a result of this relationship, *LPL* may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about Firm's clients, even if the client does not establish any account through *LPL*. Any client may contact Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd at (781) 756-1804 to request a copy of *LPL*'s privacy policy.

### **RESEARCH AND SOFT DOLLAR BENEFITS**

Shepherd Financial Partners does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in "Other Economic Benefits".

There is no corresponding commitment made by the Firm to *LPL* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, the Firm may receive from *LPL* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Firm to better monitor and service client accounts maintained at such institutions. Included within the Firm support services that may be obtained by the Firm may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by the Firm in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Firm in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Firm to manage and further develop its business enterprise.

There is no corresponding commitment made by the Firm to *LPL* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

#### **OTHER ECONOMIC BENEFITS**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Firm may receive from *LPL* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Firm to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Firm may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Firm in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Firm in managing and administering client accounts. Others do

not directly provide such assistance, but rather assist the Firm to manage and further develop its business enterprise.

The Firm has received, and expects to continue to receive, certain economic benefits from *LPL*. Specifically, the benefits include a \$9,000 annual credit towards the Firm's compliance services and costs. This credit represents the agreed upon value of the compliance services that *LPL* previously provided to the Firm, but which are no longer offered by *LPL*. The benefit is paid pursuant to a written agreement executed between Firm and *LPL*.

Other third-party service providers may provide non-cash benefits to Shepherd Financial Partners and/or its employees from time to time. These economic benefits may include, but are not limited to, waivers or reductions of conference registration fees, meals, entertainment and promotional premium items that have nominal value. Shepherd Financial Partners believes these economic benefits do not, either individually or collectively, impair Shepherd Financial's independence. Prior to the acceptance of any consideration, employees must obtain authorization and approval from R. Mark Shepherd, Chief Executive Officer and Chief Compliance Officer.

**Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

The Firm does not receive referrals from broker-dealers.

The Firm does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and the Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by the Firm. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs the Firm to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through the Firm. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

To the extent that the Firm provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Firm shall not receive any additional compensation or remuneration as a result of such aggregation.

The Firm's allocation procedure seeks to be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Accounts for the Firm or its employees may be included in a block trade with client accounts.

## **Item 13      Review of Accounts**

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For those clients to whom Shepherd Financial Partners provides investment supervisory services, account reviews are conducted on a periodic basis by each client's Investment Adviser Representative, at least annually. The Investment Committee regularly reviews the models. All investment supervisory clients are advised that it remains their responsibility to advise the Firm of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Firm on an annual basis.

The Firm may also conduct account reviews based upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Firm may also provide a written periodic report summarizing account activity and performance.

## Item 14 Client Referrals and Other Compensation

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As referenced in Item 12 above, Shepherd Financial Partners may receive economic benefits from *LPL*. The Firm, without cost (and/or at a discount), may receive support services and/or products from *LPL*.

The Firm's clients do not pay more for investment transactions effected and/or assets maintained at *LPL* as a result of these arrangements. There is no corresponding commitment made by the Firm to *LPL* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Shepherd Financial's Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest any such arrangement may create.**

If a client is introduced to the Firm by either an unaffiliated or an affiliated solicitor, the Firm *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Firm's investment advisory fee and shall not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of the Firm's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Firm and the solicitor, including the compensation to be received by the solicitor from the Firm.

## Item 15 Custody

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Shepherd Financial Partners shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts

Clients may provide the Firm with written ongoing authorization to wire money between the client's accounts held with the qualified custodian directly to an outside financial institution (i.e. a client's bank account). A copy of this authorization is provided to the qualified custodian. The authorization includes the client's account number(s) at the outside financial institution(s) as required.

Clients may also provide the Firm with a standing letter of authorization (or similar asset transfer authorization) which allows the Firm to disburse funds on behalf of clients to third parties. The Firm is relying on the SEC's 2017 no-action letter as exemption from the surprise exam requirement.

To the extent that the Firm provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Firm with the account statements received from the account custodian.

The account custodian does not verify the accuracy of the Firm's advisory fee calculation.

## Item 16 Investment Discretion

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The client can determine to engage Shepherd Financial Partners to provide investment advisory services on a discretionary basis. Prior to the Firm assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Firm as client's attorney and agent in fact, granting the Firm full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Firm on a discretionary basis may, at any time, impose restrictions, in writing, on the Firm's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Firm's use of margin, etc.).

If the Firm has not been given discretionary authority, the Firm consults with the client prior to each trade.



## **Item 17      Voting Client Securities**

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Shepherd Financial Partners does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Firm to discuss any questions they may have with a particular solicitation.

## Item 18 Financial Information

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Shepherd Financial Partners does not solicit fees of more than \$1,200, per client, six months or more in advance.

The Firm is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

The Firm has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Shepherd Financial Partners' Chief Executive Officer and Chief Compliance Officer, R. Mark Shepherd, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**