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January 1, 2024

## **Form ADV, Part 2 A**

This Brochure provides information about the qualifications and business practices of YHB Investment Advisors, Inc. (YHB). If you have any questions about the contents of this Brochure, please contact us at 860.561.7050 and/or [www.yhbia.com](http://www.yhbia.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

YHB Investment Advisors Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information that helps you determine to hire or retain an advisor. Additional information about YHB Investment Advisors, Inc. also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)

### **Item 1 – Cover Page**

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## **Item 2 – Material Changes**

There have been no material changes since the last publication of this brochure on January 1, 2023.

Our brochure may be requested by contacting Mark Everette at 860.561.7050 or [mark@yhbia.com](mailto:mark@yhbia.com). Our brochure is also available on our website [www.yhbia.com](http://www.yhbia.com).

Additional information about YHB Investment Advisors, Inc. is available via the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC's website also provides information about any persons affiliated with YHB who are registered, or are required to be registered, as investment advisor representatives of YHB.

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## **Item 4 – Advisory Business**

YHB Investment Advisors, Inc. (YHB) was organized in December 1989. YHB is 100% independently owned and managed. Paul Martel and Mark Everette each have ownership interests exceeding 25%. The owners are actively involved in the ongoing operations and management of the company. As of December 31, 2023, the firm had discretionary authority of approximately \$1.75 billion of regulated assets under management. Our services are outlined below.

### Personal Asset Management Services

YHB provides to clients personalized investment advisory services consisting of:

- Education as to basic investment concepts, policies and disciplines
- Recommendations for target allocations, investment markets and product types
- Investment policy guidelines
- Recommendation, selection, and trade execution of securities
- Ongoing asset review and management
- Quarterly reports including:
  - Account holdings
  - Performance data
- Quarterly market newsletters
- Access to YHB Charitable Endowment, a donor-advised fund
- Ongoing availability for questions on investment markets and strategies

### Financial/Administrative/Consulting Services

We also provide special analyses, bookkeeping, or other services tailored for individual circumstances. This may include consulting services to certain clients who are seeking guidance in a specific area or for a specific purpose, either on a short-term or ongoing basis. Such consulting may address any of the following areas:

- Establishing investment policy guidelines
- Reviewing and selection of managers
- Ongoing manager evaluation and review
- Aggregated portfolio and performance reporting
- Other specialized consulting

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### Pension Consulting Services:

The primary clients for these services will be 401(k) and profit-sharing plans. Clients may choose to use any or all of the following services.

- **Investment Policy Guideline (IPG) Preparation:** We will meet with the client (in person or by telecommunication) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPG detailing those needs and goals and the criteria for selection of investment vehicles as investment monitoring procedures.
- **Selection of Investment Vehicles:** We assist plan sponsors in constructing appropriate asset allocation models. We will then review various funds (both index and managed) to determine which investments are appropriate to implement the client's IPG. The number of investments to be recommended will be determined by the client.
- **Monitoring of Investment Performance:** We monitor client investments continually based as outlined in the IPGs. Although in some situations our firm may not be involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.
- **Employee Communications:** For profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide annual educational support designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support will NOT provide plan participants with individualized, tailored investment advice or asset allocation recommendations.

## **Item 5 – Fees and Compensation**

### Personal Asset Management Fees

We are compensated for our investment advisory services based on a percentage of the assets under our management. The fee will be deducted quarterly in advance based on the account value (including cash and equivalents, gross of margin loans) at the beginning of the calendar quarter using the fee schedules outlined below. The initial fee may be pro-rated from the date of the contract or account funding to the end of the current calendar quarter.

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**Equity and Balanced Accounts**

1 <sup>st</sup> \$2,000,000 .....	1.00%
Next \$2,000,000 .....	0.75%
Thereafter .....	0.50%

**Fixed Income Only**

1 <sup>st</sup> \$1,000,000 .....	0.75%
Next \$2,000,000 ...	0.50%
Thereafter .....	0.25%

When accounts are related by family or close association, we may aggregate several accounts to achieve more favorable breakpoints in the fee schedule. Such related groupings may differ from the definition of “family” groups as determined and used by custodians for purposes of commission rates or other charges. A negotiated fee rate may apply in certain cases considering account size, composition, complexity or other factors. Some clients may have different fee schedules based on terms offered or negotiated when these relationships were established.

Either party can terminate service with written notice. Any prepaid fees will be promptly refunded.

Certain clients referred to YHB through the Schwab Advisor Network program in Florida as described in Item 14 are charged by Schwab additional fees ranging from 0.15% to 0.25%.

**Pension Consulting / 401(k) Asset Management Fees**

The Master Retirement Plan Service Agreement identifies a quarterly advisory service fee. The fee will be deducted quarterly in advance based on the account value (including cash and equivalents, gross of margin loans) at the end of the calendar quarter. A negotiated fee rate from the published fee schedule may apply in certain cases considering account size, composition, complexity or other factors.

**Financial/Administrative/Consulting Service Fees**

Financial, administrative, or consulting service fees will be quoted based on the specific service to be provided, the level of expertise required, and the estimated time required to perform the service. Such fees will be quoted on either an hourly basis or as an ongoing project fee.

Contracts may be canceled at any time, for any reason, with written notice. Prepaid, unearned fees will be promptly refunded.

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## Commissions and Other Fees

Our asset management fees do not include brokerage commissions, transaction fees, or other related costs and expenses which are paid by you. Custodians, brokers, third party investment managers and other third parties may charge you fees such as custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge management fees which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our management fee. We do not receive any portion of these commissions, fees and costs but they may contribute to soft dollar credits for research described in Item 12.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions). Item 7 describes fees for trustee services.

YHB is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income Security Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

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

We do not charge performance-based fees (i.e., fees based on a share of client assets' capital gains or capital appreciation) and do not employ side-by-side management practices.

## **Item 7 – Types of Clients**

We offer investment advisory services to individuals (including high net-worth individuals), charitable institutions, corporations, foundations, municipalities, trusts and estates, and for retirement and profit-sharing plans.

In addition to portfolio management services described above, the officers and portfolio managers of YHB are available to be named as trustee, co-trustee or successor trustee of living and testamentary trusts including irrevocable life insurance trusts. Working with YHB, these individuals can provide or coordinate some or all of the following services:

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- Trust asset custody and management
  - Collection and distribution of income and principal
  - Maintenance of tax records
  - Communication with tax and other advisors
  - Answers to financial planning questions
  - Personal services to beneficiaries and families
  - Bill paying and tax paying services

YHB itself does not serve in any capacity as corporate trustee. YHB trustees may charge an add-on fee of 0.25% for providing trustee services. This fee is separate from the investment advisory fee charged by YHB. Trustee fees are paid directly to the named officer or portfolio manager serving as trustee. Additional fees may be charged for tax preparation, third-party advisor services, or for extraordinary administration. Fees for larger portfolios or special circumstances may be discounted.

Under SEC regulations, individuals who serve as trustees are deemed to have “custody” of client funds in a technical sense, and as a result, YHB is also deemed to have “custody” of the trusts’ assets. However, client funds and securities will be maintained in individual accounts with qualified custodians and will receive statements at least quarterly.

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

Your investment strategy and methods of security analysis consist of:

1. Evaluating your individual needs
2. Creating an appropriate diversified portfolio that may include some or all of the following asset classes or security types:
  - a. Selected fixed income securities or funds, potentially including U.S. government, corporate or municipal bonds
  - b. Individual equity securities including common and preferred stock
  - c. No-load equity funds representing selected market sectors
3. Evaluating the relative value of various markets based on economic cycles and market trends
4. Rebalancing your accounts periodically to meet allocation targets.

We manage fixed income investments with the objectives of creating stable portfolios, dependable cash flows and predictable rates of return with measured levels of risk. In acquiring individual bonds we emphasize investment grade vehicles, good value, reasonable yields, and minimized credit and interest rate risk. Risks associated with



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investments in debt securities include issuer-specific volatility greater than the market as a whole, impairment of collateral, restrictions on liquidity during certain market conditions, prepayment of principal, and market value fluctuations with interest rate changes.

For equities, we favor the ownership of stocks of high quality companies with a history of earnings growth and corporate management with demonstrated success in adding to shareholder value. Our selection process includes:

- 1) Independent quantitative and qualitative research
- 2) Collaboration among the members of our investment team to ensure the best thinking is reflected in our portfolios, and
- 3) Independent analysis to give us confidence in our convictions.

Investment and trading risks associated with equities include market value fluctuations from short or long-term price declines which can include complete value loss for individual securities.

With mutual funds and exchange traded funds, like other securities, past performance does not guarantee future results.

Our securities analysis methods rely on the assumption that the information provided by companies, analysts, ratings agencies and other public sources is accurate and unbiased. Information used includes economic conditions, historical data, industry outlook, inflation, interest rates, income tax regulations, as well as fiscal and monetary policies of the United States and foreign countries.

We do not offer any products or services that guarantee rates of return. Investing in securities involves risk of loss. Clients assume the risk that returns may be negative or below those of market indices or other products or services.

## **Item 9 – Disciplinary Information**

Our firm has had no legal or disciplinary events to disclose.

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

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Some employees serve on the boards of charitable and non-profit organizations, and local municipal finance committees. More detail regarding these roles and related conflict of interests are provided in Item 11.

## **Item 11 – Code of Ethics**

### **Description**

We have adopted a Code of Ethics for all supervised persons of the firm outlining high standards of business conduct and fiduciary duties to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, prohibitions of insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts, business entertainment items, and personal securities trading procedures, among other things. All of our employees must acknowledge the terms of the Code of Ethics annually, or as amended.

### **Personal Securities Transactions**

YHB has adopted the following governing principles:

1. The interest of client accounts shall at all times be placed first
2. All personal securities transactions shall be conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's trust and responsibility, and
3. Employees should not take inappropriate advantage of their positions.

We may trade for our own accounts in the same securities that we recommend and purchase for you. The Code of Ethics is designed to assure that our personal securities transactions, activities and interests will not interfere with making decisions in your best interests.

Restrictions on employees' personal securities transactions include, but are not limited to:

1. Pre-clearance of investments in Initial Public Offerings (IPOs)
2. Pre-clearance of investments in private placements or limited offerings
3. Short-term trading profits of the same security within 60 days
4. Excessive trading in a 30-day period.

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We monitor employee trading under the Code of Ethics to reasonably prevent conflicts of interest.

**Principal Transactions and Cross Trades**

We do not buy or sell securities from our own or any affiliated accounts with funds from your account. We are not dually registered as an advisor and a broker. We have no affiliated broker-dealer through which we coordinate transactions.

The SEC does permit purchases and sales (cross transactions) between client portfolios because they can be transacted with lower commission costs to the advantage of buyer and seller. When we arrange cross transactions, we rely on the custodian to determine appropriate cross-level prices. If not provided, YHB will determine a price between the bid and ask price. We derive no commission or other compensation from cross transactions.

**Aggregated Trades**

As described in Item 12, at times we aggregate transactions where practical and advantageous to clients. Employees and/or related accounts may participate in aggregated trades with the firm's clients, but not on more favorable terms than offered to clients. In such circumstances, the affiliated and client accounts receive securities at a total average price. Our policy prohibits any allocation of trades in a manner such that our proprietary accounts, affiliated accounts, or any particular client or group of clients receive more favorable treatment than other client accounts.

**Disclosures**

The principals of YHB created the YHB Charitable Endowment (YHBCE) to provide clients a vehicle to create their own Donor Advised Fund (DAF) for the following purposes:

- To support the charitable causes of their choice
- To create a charitable fund in a cost-effective manner that minimizes expenses and takes advantage of the favorable U.S. tax code provisions to maximize their giving
- To allow clients to consolidate and simplify their financial affairs

YHBCE is a 501(c)(3) tax-exempt legal umbrella created to provide each DAF, as established by individual clients, to receive tax benefits authorized under U.S. tax regulations. The original donors, and their successor donor advisors, retain authority over their Fund, its investment strategy, and any grant recommendations to charities.

With the objective of cost and tax efficiency, YHB funded the original legal and accounting costs of obtaining the 501(c)(3) non-profit status of the entity. Paul Martel and Mark Everette, as officers of YHBCE and YHB, as well as other YHB employees who have

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responsibilities with the administration and recordkeeping of your fund, receive no compensation from YHBCE or the individual funds for their administrative services. Other non-investment related services such as the filing of the annual non-profit tax return is funded by YHB. In an effort to provide appreciation to the asset values in each fund, YHB offers investment management services and charges a related fee.

The officers and other YHB employees currently serve (or have served) on boards and in leadership positions of several charities during their careers. In addition, Paul Martel is the founder and current president of a charity which provides free medical services to international children. There is no intention nor encouragement for any client to use their funds for any of the charities involving YHB employees. Though it is not something we encourage, some clients have contributed to the charity founded by Mr. Martel. We realize that this has the potential to appear as a conflict of interest. In many, if not most cases, the source of funds for a charitable account is from assets already under management by YHB. Since U.S. tax regulations stipulate that donations to a charitable fund are irrevocable gifts to obtain the tax benefits, and since Paul Martel and Mark Everette are officers of both YHB and YHBCE, this may also create the potential appearance of a conflict of interest. We are committed to keeping our personal charitable interests separate from those of our clients.

By virtue of the fact that the officers have authority to direct payments to third-party charities, YHBCE has custody over the assets. Annually, YHBCE is subject to a surprise examination by an independent public accounting firm to verify the proper administration, recordkeeping and reporting of client funds and securities.

Several portfolio managers serve on local town finance committees. These employees are not involved in trading of those towns' securities and their volunteer service does not create an advantage or disadvantage or conflict of interest.

We will notify any potentially affected client if a conflict of interest is identified. You may obtain a copy of our complete Code of Ethics upon request.

## **Item 12 - Brokerage Practices**

### **Brokerage & Directed Brokerage Services**

When undertaking an advisory relationship with our firm, you may instruct us to work with a specific broker-dealer or "qualified" custodian for their execution and clearing functions. We recommend that clients use broker-dealers that provide quality services and competitive rates. Unless otherwise directed, we will affect all brokerage, custody, and clearing functions through Pershing, LLC, (Pershing) or Charles Schwab & Co. (Schwab).

However, you are not obligated to engage these services and the implementation of any or all recommendations and the selection of an account custodian are solely at your discretion. We are independently owned and operated and are not affiliated with any custodian. You enter an account agreement directly with the custodian. We do not open the account for you but we may assist you in doing so. YHB may not be able to obtain best execution for those clients that direct their execution to particular entities. These clients may pay higher commissions, greater spreads, other transactions costs, or receive less favorable net prices on transactions for the account.

**Best Execution**

Pershing and Schwab transaction charges for trade executions are as follows:

	<u>Pershing, LLC</u>	<u>Charles Schwab &amp; Co., Inc.</u>
Municipal & Corporate Bonds	\$0-10	\$1/\$1000 (\$10 minimum)
Municipal & Corporate Bonds prime trades	\$15	\$1.20/\$1000 (\$10 min.)
Common Stock per share	N/A	\$0
Minimum Charge	\$8.95	\$0
Mutual Funds	\$0-25	\$0-\$20
Fixed Income cross trades	\$0- \$15	\$10-\$50
Over-the-counter trades		\$6.95
Foreign security transactions		\$50

Pershing and Schwab are industry leaders in providing clearing and custody services. Both offer dedicated customer support and technology to YHB and its clients to maximize service and efficiency. We annually review schedules of clearing transactions with custodians. Sundry charges for other securities functions such as legal and wire transfers are normal and customary.

We feel that our arrangement for coordinating brokerage and clearing functions represents good overall value, safety and quality of execution.

Both Pershing and Schwab provide insurance supplemental to the SIPC coverage provided by the federal government to protect you in the event of default as custodian. In the event of such default, such insurance will reimburse you for any discrepancies that may arise between clients' records of securities owned and the records provided to the surviving or acquiring party as new custodian. Such insurance in no way reimburses you for any individual security losses due to market conditions, bond defaults, poor company performance, or for any event rising from the advice of our portfolio managers.

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### **Soft Dollar Benefits for Research**

We have negotiated soft dollar benefit arrangements with Pershing where certain portions of the commissions charged on trades are credited for payment directly for certain services related to research and investment decision-making that benefit YHB and all of our clients. These services include investment research and performance tracking/measurement software. Absent this arrangement, the commission rates might be lower. Soft dollar benefits are not limited to those clients who may have generated a particular benefit and are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

In our roles as fiduciaries we seek to achieve best execution for our clients and believe that our custodial and related soft dollar benefit arrangements provide clients brokerage and clearing services at good value as well as the benefit of substantial research.

### **Trade Aggregation & Allocation**

We generally execute transactions for our many clients on an account-by-account basis. We may aggregate certain transactions for multiple accounts where practical and advantageous to clients. The aggregation of client trades may allow us to execute transactions in a more timely, equitable and efficient manner. In these instances clients participating in aggregated trades receive the average share price for the entire transaction. To the extent that aggregated trades involve multiple custodians or brokers, we attempt simultaneous execution in an effort to be equitable to all clients. If a full block order is not completely filled, the trade will be allocated on a pro-rata basis.

## **Item 13 – Review of Accounts**

Portfolios and underlying securities are continuously monitored. For personal asset management clients, one of the firm's portfolio managers reviews each account at least quarterly. Each portfolio manager is assisted by one or more employees in the execution of their responsibilities. For many client relationships portfolio managers may work as teams. The number of accounts assigned will never exceed the number that would compromise our high standards of quality and personal attention.

You receive quarterly reports consisting of a portfolio appraisal including the current value of holdings and performance reports to determine if investment objectives are being achieved. Additional reports are available upon request for more specific analysis and review.

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

We receive an economic benefit from Pershing and Schwab in the form of support products and services. These include research and compliance updates and information that they make available to us and other independent investment advisors whose clients maintain their assets with them. The availability of these products and services is not based on YHB giving particular investment advice to its clients.

From October 2002 through June 2009, we received client referrals from Schwab through our participation in the Schwab Advisor Network (SAN). SAN is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with YHB. Schwab does not supervise YHB and has no responsibility for our management of clients' portfolios or YHB's other advice or services. As of July 2009, YHB is no longer an active participant in the SAN and no longer accepts SAN client referrals from Schwab. YHB, however, continues to serve certain clients referred in past years subject to the policies herein described. We pay Schwab participation fees on all referred SAN clients' accounts that are maintained in custody at Schwab. As noted in Item 5, Schwab charges clients referred through SAN fees or costs greater than the fees or costs YHB charges clients with similar portfolios who were not referred through SAN.

YHB also makes a quarterly payment to a former part owner of the firm.

In September 2020, YHB entered into a promoter's agreement with Michael E. Miller. Mr. Miller is a consultant and independent contractor, not an employee of YHB, and will use best efforts to promote and refer clients to YHB which he believes are suitable and appropriate for the investment advisory services provided by YHB. For his promotion services, he will be paid a fee based on an agreed upon schedule for as long as the agreement remains in effect. This fee arrangement is disclosed to applicable clients. This arrangement has no impact on existing clients.

## **Item 15 – Custody**

YHB does not generally maintain custody of your assets, except, 1) as a consequence of our authority to make withdrawals from your accounts to pay advisory fees with your authorization, 2) in circumstances where a portfolio manager serves as a trustee, 3) when

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YHB manages charitable endowment funds, and 4) per recent SEC designation, where clients have signed standing letters of authorization for disbursing funds to third parties. We have adopted policies and procedures to provide reasonable assurance that YHB does not inadvertently obtain further custody over your assets. At least quarterly you will receive statements from your qualified custodian (generally Pershing or Schwab) holding and maintaining your investment assets. We urge you to carefully review custodial statements and compare them to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

For funds held in trustee and charitable endowment accounts, YHB undergoes an independent custody audit each year. YHB is in compliance with all related SEC regulations.

YHB has engaged a third-party service provider, Chicago Clearing Corporation (CCC), to monitor and file securities class action litigation claims on behalf of the Firm's clients. When a claim is settled and payments are awarded to YHB clients, it may be necessary to share client information, such as name and account number, with CCC in connection with this service. YHB does not receive any fees or remuneration in connection with this service nor does it receive any fees from the third-party provider(s). CCC earns a fee based on a flat percentage of all claims it collects on behalf of YHB's clients. This fee is collected and retained by CCC out of the claims paid by the claim administrator. Clients may opt out of this service at any time. If a client opts out, YHB does not have an obligation to advise or take any action on behalf of a client with regard to class action litigation involving investments held in or formerly held in a client's account.

### **Item 16 – Investment Discretion**

YHB almost always receives discretionary authority from clients through the Investment Advisory Contract to purchase and sell securities on your behalf. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for your account. When selecting securities and determining amounts, we observe related account investment policies, limitations and restrictions.

### **Item 17 – Voting Client Securities**

The voting of proxies is an important part of portfolio management. As required under Rule 206(4)-6 under the Advisers Act, YHB has adopted proxy voting policies and



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procedures. YHB has authority to vote proxies with respect to securities owned by the portfolios. Generally, YHB, when granted proxy voting authority by a client, will fulfill its obligations by voting in a manner that is in the best interest of its client. Under these policies, YHB does not have authority to vote proxies with respect to any ETFs held in an underlying investor's account. YHB has retained Glass Lewis & Co. to provide in-depth proxy research and to provide vote execution and the record keeping services necessary for tracking proxy voting. Our procedure is to vote all proxies for specific issues the same way for each client absent qualifying restrictions from you. We generally vote against proposals that cause board members to become entrenched or cause unequal voting rights. If a material conflict of interest exists, we will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third-party voting recommendation.

For each proxy, we maintain all related records as required by applicable regulations. You may obtain a copy of our complete proxy voting policies and procedures upon request. You may also obtain information about how we voted any proxies on your behalf.

#### **Item 18 – Financial Information**

YHB has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding. We do not require prepaid management fees for more than the current quarter in which they are collected.

#### **Item 19 – Requirements for State-Registered Advisors**

Because of the amount of assets managed, YHB is registered with the SEC and not required to register at the state level.