

**Item 1 – Cover Page**

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**Firm Brochure**  
(Part 2A of Form ADV)

**RED HOOK MANAGEMENT**  
**65 MADISON AVENUE, SUITE 230**  
**MORRISTOWN, NJ 07960**

**(973) 998-6345**

**(212) 697-1870**

**[WWW.REDHOOKMGMT.COM](http://WWW.REDHOOKMGMT.COM)**

**March 8, 2016**

This brochure provides information about the qualifications and business practices of Red Hook Management LLC (“**RHM**” or the “**Firm**”). If you have any questions about the contents of this brochure, please contact Nancy Conger at: (973) 998-6345, or by email at: [nconger@redhookmgmt.com](mailto:nconger@redhookmgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”), or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

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In this Item, RHM is required to discuss any material changes which have been made to the brochure since the last annual amendment dated March 24, 2015. While certain information has been updated, the Firm has not made any material change to the content of the brochure. Therefore, there is no information to disclose in relation to this Item.

Additional information about Red Hook is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the firm who are registered, or are required to be registered as investment adviser representatives.

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#### **Item 4 - Advisory Business**

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RHM has been in business as a SEC registered investment adviser since August 2008 and is principally owned by Nancy P. Conger and William F. Conger.

RHM provides fee-only investment advisory services. As of December 31, 2015, RHM had approximately \$150,942,065 in assets under management, of which \$141,313,000 was managed on a discretionary basis and \$9,629,065 was managed on a non-discretionary basis.

RHM manages client investment portfolios on a discretionary or non-discretionary basis. RHM works to capture returns of the capital markets by constructing well-diversified portfolios comprised primarily of low-cost, tax-efficient index funds and exchange-traded funds (“**ETFs**”) in accordance with its clients’ individual investment objectives.

RHM may also provide one-off advice on certain investment products that are not maintained at their primary custodian, such as assets held in employer sponsored retirement plans and qualified tuition plans (*i.e.*, 529 plans). In these situations, RHM recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the custodian designated by the product’s provider.

On a limited basis, RHM may also consult with existing clients on other financial related matters, such as tax strategy, estate planning, education funding and charitable giving. In performing these services, RHM is not required to verify any information received from the client or from the client’s other professionals (*e.g.*, attorney, accountant, etc.) and is expressly authorized to rely on such information. RHM may recommend the services of itself and/or other professionals to implement its recommendations. Unless otherwise disclosed, RHM does not receive compensation from any third-party professionals that it recommends to clients.

RHM tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients’ portfolios are managed in a manner consistent with their specific investment profiles. Prior to providing any advisory services, clients are required to enter into a written agreement with RHM setting forth the relevant terms and conditions of the advisory relationship (the “**Agreement**”). At the onset of the advisory relationship, RHM meets with clients to prepare an Investment Policy Statement (“**IPS**”), which identifies their personal financial goals, time horizon, risk tolerance, liquidity constraints and other related factors.

Clients are advised to promptly notify RHM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if RHM determines, in its sole discretion, the conditions would not materially impact the performance of a portfolio strategy or prove overly burdensome to the firm’s management efforts.

The firm’s investment advisory services do not include securities brokerage services, as the firm does not serve as the sponsor or manager to a wrap fee program (*i.e.*, an arrangement where brokerage commissions and transaction costs are absorbed by the firm).

## Item 5 - Fees and Compensation

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### *Investment Advisory Fees*

RHM provides investment management services on a fee basis, meaning that clients pay an annual fee based upon the amount of assets under the firm's management. For typical balanced equity and fixed income portfolios, this fee ranges up to 100 basis points (100%), as follows:

PORTFOLIO VALUE	ANNUAL FEE
Under \$500,000	1.00%
\$500,000 – \$5,000,000	0.75% – 0.85%*
Above \$5,000,000	Negotiable

\* Clients with investment portfolios between \$500,000 and \$5,000,000 are generally charged 85 basis points (0.85%) during the initial year of an engagement and 75 basis points (0.75%) thereafter.

For separately managed fixed income portfolios in excess of \$1,000,000, the firm generally charges 35 to 45 basis points (0.35% – 45%), depending upon the size and complexity of the client's portfolio.

The investment advisory fees are prorated and charged quarterly in arrears, based upon the market value of the assets being managed by RHM on the last day of the previous quarter. If assets in excess of \$1,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the change in portfolio value. For the initial term of an engagement, the fee is calculated on a pro rata basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is charged to the client, as appropriate.

### *Fee Discretion*

RHM, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and pro bono activities.

### *Additional Fees and Expenses*

In addition to the fee paid to RHM, clients may also incur certain charges imposed by other financial institutions and third parties, such as broker-dealers, custodians, banks, trust companies, etc. (collectively "**Financial Institutions**"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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.

### *Fee Debit*

The Agreement and the separate agreement with any Financial Institutions generally authorize RHM to debit its clients' accounts for the amount of the management fee and to directly remit that fee to RHM. Any Financial Institutions recommended by RHM have agreed to send statements to clients not less than quarterly indicating all amounts disbursed from the account, including the amount paid directly to RHM. Alternatively, clients may elect to have RHM send them an invoice for payments.

### *Account Additions and Withdrawals*

Clients may make additions to and withdrawals from their account at any time, subject to RHM's right to terminate an account. Additions may be in cash or securities provided that the firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to RHM, subject to the usual and customary securities settlement procedures. However, RHM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. RHM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (*i.e.*, contingent deferred sales charge) and/or tax ramifications.

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

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RHM does not use a performance-based fee structure (*i.e.*, fees based on a share of the capital gains or capital appreciation of managed securities).

## **Item 7 - Types of Clients**

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RHM provides its services to individuals, investment limited partnerships or other collective vehicles, trusts, estates, charitable organizations, corporations and business entities.

### *Minimum Account Requirements*

RHM does not impose any stated account requirements for balanced equity and fixed income portfolios. For separately managed fixed income portfolios, RHM generally imposes a minimum portfolio size of \$1,000,000.

The firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and pro bono activities. RHM only accepts clients with less than the minimum portfolio size if it determines the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. RHM may aggregate the portfolios of family members to meet the minimum portfolio size.

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

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### *Methods of Analysis*

RHM's analytical approach to managing client assets is based on portfolio diversification, as the firm looks to identify those investments which provide its clients with relatively inexpensive and efficient exposure across substantially all asset classes. In seeking to temper risk and achieve returns in any market environment, RHM's methods of analysis largely ignore more direct and volatile investment vehicles, such as individual equity securities, derivatives and other highly speculative instruments.

### *Investment Strategies*

RHM employs a strategic asset allocation strategy to manage client accounts. In doing so, the firm uses passively managed index funds and exchange-traded products as the core investments. Portfolios are globally diversified in an effort to control the risk associated with the domestic markets. RHM believes that a high degree of diversification is essential since it is very difficult for investors to consistently pick the asset classes that will outperform each year.

When designing asset allocations, RHM weighs the equity portion of the portfolios to include slightly more small cap and value holdings than would be included in strict cap-weighting, as on a risk-adjusted basis, these types of allocations have outperformed large cap and growth stocks over long periods of time. It is the firm's strong belief that passive management – owning baskets of a large number of investments in proportion to the market – is a more efficient and cost-effective method of investing over active management.

### *Risk of Loss*

*General Risk of Loss* - Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

*Market Risks* - The profitability of a significant portion of RHM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of various asset classes. There can be no assurance that RHM will be able to predict those price movements accurately. Past performance does not guarantee future results.

*Mutual Funds and ETFs* - An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("**NAV**"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during

periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares

### **Item 9 - Disciplinary Information**

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RHM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

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

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#### *Affiliated Private Investment Fund*

RHM is under common control with R-Glad House Holding Company LLC, an affiliated private investment fund operated for certain family members of RHM's principals. Outside of qualifying family members, RHM does not recommend this private fund to its advisory clients.

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

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RHM and persons associated with RHM ("**Associated Persons**") are permitted to buy or sell securities that it also recommends to clients consistent with RHM's policies and procedures.

RHM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("**Code of Ethics**"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "**Advisers Act**"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by RHM or any of its associated persons. The Code of Ethics also requires that certain of RHM's personnel (called "**Access Persons**") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in RHM's Code of Ethics, none of RHM's Access Persons may effect for themselves or for their immediate family (*i.e.*, spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of RHM's clients.



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When RHM is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when RHM is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to:

- Direct obligations of the Government of the United States;
- Money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements;
- Shares issued by mutual funds or money market funds; and
- Shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact RHM to request a copy of its Code of Ethics.

## **Item 12 - Brokerage Practices**

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RHM generally recommends that investment management clients utilize the brokerage and clearing services of Schwab Advisor Services (“**Schwab**”). RHM may only implement investment management recommendations after the client has arranged for and furnished RHM with all information and authorization regarding accounts held at their respective Financial Institutions.

Factors which RHM considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables RHM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by RHM's clients comply with RHM's duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where RHM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. RHM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom RHM and the Financial Institutions have entered into agreements for prime brokerage clearing services. RHM periodically and

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systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

A client may direct RHM in writing to use a particular Financial Institution to execute transactions. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and RHM will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by RHM. As a result, the 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. Subject to its duty of best execution, RHM may decline a client’s request to direct brokerage if, in RHM’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless RHM decides to purchase or sell the same securities for several clients at approximately the same time. RHM may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among RHM’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 generally be averaged as to price and allocated among RHM’s clients *pro rata* to the purchase and sale orders placed for each client on any given day.

To the extent that RHM determines to aggregate client orders for the purchase or sale of securities, including securities in which RHM’s Supervised Persons may invest, RHM generally does so in accordance with applicable rules promulgated under the Advisers and no-action guidance provided by the staff of the SEC. RHM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that RHM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- When only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates;
- Allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- If an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed);
- With respect to sale allocations, allocations may be given to accounts low in cash;
- In cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, RHM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or

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- In cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for services and support, which assist RHM in its investment decision-making process. These services and support are generally used to benefit all of RHM's clients, so brokerage commissions paid by one client may indirectly benefit another client's portfolio. While RHM believes this arrangement serves the best interests of the firm's clients, it does pose a potential conflict of interest because RHM does not have to produce or pay for the services or support.

*Software and Support Provided by Financial Institutions*

RHM may receive from Schwab, without cost to RHM, computer software and related systems support, which allow RHM to better monitor client accounts maintained at Schwab. RHM may receive the software and related support without cost because RHM renders investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit RHM, but not its clients directly. In fulfilling its duties to its clients, RHM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that RHM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence RHM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, RHM may receive the following benefits from Schwab through the Schwab Institutional division:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services the Schwab Institutional participants;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Item 13 - Review of Accounts**

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*Account Reviews*

RHM monitors the portfolios of its investment advisory clients as part of a continuous and ongoing process, while regular account reviews are conducted at least quarterly. Such reviews are conducted by one or more of the firm's principals. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with RHM and to keep RHM informed of any changes thereto. RHM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### *Account Statements and Reports*

Clients are provided with transaction confirmation notices and regular summary account statements directly from their respective Financial Institutions. Generally, investment advisory clients also receive written or electronic quarterly reports from RHM, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from RHM.

### *Review Triggers*

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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

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### *Client Referrals*

RHM does not have any arrangements in place whereby it provides compensation to a third party for client referrals.

### *Other Economic Benefit*

RHM may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a conflict of interest, as discussed in Item 12.

## **Item 15 - Custody**

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An advisory firm is deemed to have custody over a client's assets when it is authorized to directly debit a client's account for payment of the firm's quarterly management fee. In accordance with applicable custody rules, the Financial Institutions recommended by RHM have agreed to send statements to clients, not less than quarterly, indicating all amounts paid to RHM and/or the third-party managers engaged to manage their accounts.

As discussed in Item 13, RHM may also send periodic reports to clients. Clients are advised to carefully review the statements and confirmations sent directly by the Financial Institutions and to compare them with any reports received from RHM.

## **Item 16 - Investment Discretion**

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Clients may grant RHM the authority to exercise discretion on their behalf. RHM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. RHM is given this authority through a power-of-attorney

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included in the Agreement between RHM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

Specifically, RHM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Financial Institutions to be utilized.

### **Item 17 - Voting Client Securities**

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Clients may grant RHM the authority to vote securities (*i.e.*, proxies) on their behalf. When RHM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in RHM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in RHM's Proxy Voting Policies and Procedures. Clients may contact RHM to request information about how RHM voted proxies for that client's securities or to get a copy of RHM's Proxy Voting Policies and Procedures.

A brief summary of RHM's Proxy Voting Policies and Procedures is as follows:

- RHM has formed a Proxy Voting Committee which is responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee generally votes proxies according to RHM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, RHM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct RHM's vote on a particular solicitation but can revoke RHM's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that RHM maintains with persons having an interest in the outcome of certain

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votes, RHM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

**Item 18 - Financial Information**

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RHM is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.