IA Policies and Procedures Manual

Revision as of September 2019

Verity Asset Management (Investment Adviser)

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1 REGISTRATION, LICENSING, AND SUPERVISORY STRUCTURE

The Investment Advisers Act of 1940 ("the Advisers Act") defines an "investment adviser" in Section 202(1)(11) generally to include any person (including a natural person or an entity) who meets the "prongs" listed below:

(1) for compensation

(2) is engaged in the business

(3) of providing advice to others or issuing reports or analyses regarding securities

Detail regarding these elements of the investment adviser definition are addressed by the SEC in Investment Advisers Act Release No 1092 ("Release 1092"). Release 1092 was developed jointly by the SEC and the North American Securities Administrators Association ("NASAA"). NASAA is an organization of state securities regulators. Release 1092 addresses the applicability of the Advisers Act to investment advisers commonly known as "financial planners." Release 1092 also clarifies numerous aspects of the definition of investment adviser as applies generally to all advisers.

1.1 Registration, Licensing

The Adviser has filed an application (FORM ADV Part 1) through the Investment Advisers Registration Depository ("IARD"). The information submitted in Part 1 includes information about the investment adviser's business, the persons who own the Adviser and disclosures regarding any sanctions for violating securities or other laws. The Adviser has also prepared a Form ADV Part 2A. The information in Part 2A is geared primarily toward the Adviser's clients and provides the basis for the disclosures made to clients/investors under Rule 204-3 of the Advisers Act. Part 2A contains information relating to the business practices, fees, investment strategies and conflicts of interest the Adviser may have with its clients. This record is subject to review by the SEC. Part 2A is required to be updated annually, within 90 days of the Adviser's fiscal year end, and whenever it becomes materially inaccurate.

1.2 IARD Maintenance

Any Adviser registered with the SEC or state(s) is required to maintain current registration data through entitlement on the Registration Depository ("IARD"). Entitlement to the system is obtained through specific documentation submitted to FINRA as administrator of the system. Such documentation is found at https://www.iard.com or by contacting the IARD help desk at 240-386-4848.

Under state and SEC regulations, the Adviser is required to file an Annual Updating Amendment through IARD within 90 days following the end of the Adviser's fiscal year.

The Adviser is required to keep the information in its Form ADV current. Failure to maintain an updated Form ADV may result in disciplinary, administrative, injunctive or even criminal action against the Adviser by the SEC and/or by the state(s).

The Adviser must file an amendment to its Form ADV Part 1 electronically through the IARD according to the following requirements:

- Promptly for any changes to Items 1, 3, 9 or 11 of Part 1A
- Promptly for any change to Items 1, 2 (A through F), or 2I of Part 1B
- Promptly for any materials changes to Items 4, 8 or 10 of Part 1A
- Within 90 days of the end of the Adviser's fiscal year end (Annual Updating Amendment)
- If the Adviser is required to provide an audited balance sheet with Schedule G, within 90 days of the close of the Adviser's fiscal year (some states may have additional or differing requirements)

Amendments to the wrap fee brochure (Schedule H) may be made by "stickering" provided any supplemental information is dated and affixed to the brochure in a manner that can be readily understood by a client/investor or potential client/investor.

Rule 204-3 imposes requirements for the delivery of Form ADV Part 2 and relevant schedules (1) at least 48 hours prior to entering into the advisory relationship, or (2) at the time of entering into a contract with the Adviser, provided the client can terminate the contract without penalty within 5 business days after entering the contract. (See Section 2.1.2)

1.3 Supervisory Structure

In accordance with Rule 206(4)-7 of the Investment Advisers Act of 1940 (hereinafter "Advisers Act"), other SEC regulations, and applicable state regulations requiring supervision of specific firm activities, the Adviser has established a supervisory structure that includes the designation of personnel in key positions. The Adviser has identified and maintains current a list of key personnel, their duties and supervisory obligations, as applicable.

In accordance with Rule 206(4)-7 of the Advisers Act, the Adviser must designate one employed individual to act as its Chief Compliance Officer, whose duty it shall be to administer the Adviser's compliance policies and procedures. The Chief Compliance Officer shall have full responsibility and authority to develop and enforce all appropriate compliance related policies and procedures for the Adviser. The Adviser identifies its Chief Compliance Officer ("CCO") in its organizational chart or other table of supervisory structure, and through the IARD system as required. The individual currently designated as Chief Compliance Officer is Gordon T. Wegwart. Assisting the CCO in the administration of the Adviser’s compliance policies and procedures is William R. Hopwood. Mr. Hopwood is authorized to act as Compliance Officer in Mr. Wegwart’s absence.

The Adviser's officers are ultimately responsible for the Adviser's supervisory system, including its implementation, maintenance and ongoing appraisals as more fully described in the Procedures section below. The Adviser's principal officers may supervise other officers and/or managers as well as other employees of the Adviser. The Adviser's Chief Compliance Officer is responsible for development and enforcement of the Adviser's compliance program.

Rule 203A-3(a) of the Advisers Act defines an "investment adviser representative" as a supervised person of the investment adviser who has more than five clients/investors who are natural persons and more than ten percent of whose clients/investors are natural persons. Notwithstanding this, a supervised person is not an investment adviser representative if the supervised person does not on a regular basis solicit, meet with, or otherwise communicate with clients/investors of the investment adviser or provides only impersonal investment advice.

1.4 Procedures for Compliance with Registration and Licensing

The Adviser requires that each individual providing investment advice be required to maintain all applicable licenses. No individual may conduct advisory services with the investing public in any state without prior approval by the Adviser. In conjunction with the process for hiring investment adviser representatives, the CCO or his designee will conduct a background check. In the event of discovery of any information that might raise questions concerning the integrity, ability, competence, or suitability of the individual for a role of this nature, the CCO will, if needed, conduct a more detailed investigation prior to making a final hiring decision in coordination with senior management. In such event, documentation of all findings and the rationale for the decision will be retained in the individual's personnel file.

To ensure that its supervisory structure is adequately formed and adhered to, the Adviser maintains an updated record of its supervisory chain of command among its central files and records.

Unless otherwise specifically enumerated, the CCO is responsible for implementation and ongoing oversight of these procedures, including the oversight of individuals to whom certain procedures may be delegated.

No less than annually, the CCO will oversee the renewal of the Adviser's registration. No less than annually (within 90 days of the fiscal year end of the Adviser), the CCO will oversee the filing of an annual amendment, updating all forms and records as necessary.

Amendments to the Adviser's regulatory filings will be documented by electronic tracking on IARD or by retention of all dated materials among the central compliance records of the Adviser.

2 BOOKS AND RECORDS REQUIREMENTS

2.1 Required Records

Pursuant to the Advisers Act at Rule 204-2, the following records are required to be maintained and preserved in an easily accessible place for a period of not less than 5 years from the end of the fiscal year during which the last entry was made on the document. For the first 2 years, the record must be maintained on the premises of the Adviser. This retention requirement applies to the records noted below EXCEPT that organizational records must be retained for at least three years following the date on which the Adviser terminates its registration.

2.1.1 Advertising File

The Adviser will retain a copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that an investment adviser circulates or distributes, directly or indirectly, to more than one person (other than persons connected with the Adviser). If such notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication recommends the purchase or sale of a specific security and does not state the reasons for such recommendation, a memorandum by the Adviser including information to support the recommendation will be included in the file.

2.1.2 Annual Delivery Requirements for Form ADV Part 2 (Amended)

Annual Delivery Requirements

The Adviser will deliver to each client, annually within 120 days after the end of its fiscal year and without Charge, if there are material changes in the Form ADV Part 2 since the last annual updating Amendment (i) a current Brochure, or (ii) the Summary of Material Changes which includes the Web site address and an e-mail address and telephone number by which a client may obtain the current brochure, and the Web address for obtaining information about you through the Investment Adviser Public Disclosure (IAPD) system.

Interim Amendments

The Adviser will also deliver to each client promptly after creation of an amended Brochure if the amendment adds disclosure of an event, or materially revises information already disclosed about an event, in response to Item 9 of Part 2A of Form ADV (Disciplinary Information), (i) the amended Brochure along with a statement describing the material facts relating to the change in the disciplinary information, or (ii) a statement describing the material facts relating to the change in disciplinary information.

The Adviser will deliver updated Brochure (or Summary of material Changes and an offer to deliver the full Brochure) promptly if amendments add a disciplinary event or materially revise previously disclosed disciplinary information.

Documentation

The Adviser will document delivery in its Compliance Files, with documentation to include:

- A list of clients to whom the Brochure(s) or Summary of Material Changes were delivered
- Copy of the form of the offer letter or other means of distribution
- Date and method of delivery
- Records of any delivery failures and subsequent resolution
- List of evidence that any individuals/parties who responded to the offer were provided with the current form, as requested

2.1.3 Annual Review

The Adviser is required by Rule 204-2(a)17(ii) to maintain any record(s) that document the review of its written policies and procedures performed in connection with Rule 206(4)-7(a).

2.1.4 Associated Persons Personal Transactions Records

Rule 204-2(a)(12)(i) requires that the Adviser retain a record of every transaction in securities in which the Adviser or any associated person (or investment advisory representative) has or acquires any direct or indirect beneficial ownership, unless the transaction is not subject to the Adviser's or the associated person's control, or if the transaction is in securities that are direct obligations of the Government of the US, bankers' acceptances, CDs, commercial paper and high quality short term debt instruments including repurchase agreements, or shares issued by registered open-end investment companies. For purposes of this rule, the term "associated person" shall mean any partner, officer or director of the investment adviser; any employee who makes any recommendation, who participates in the determination of which recommendation shall be made, or whose functions or duties relate to the determination of which recommendation shall be made; any employee who, in connection with his duties, obtains any information concerning which securities are being recommended prior to the effective dissemination of such recommendations or of the information concerning such recommendations; and any of the following persons who obtain information concerning securities recommendations being made by such investment adviser prior to the effective dissemination of such recommendations or of the information concerning such recommendations: (1) any person in a control relationship to the investment adviser, (2) any affiliated person of such controlling person and (3) any affiliated person of such affiliated person.

To ensure appropriate controls are in place, the Adviser requires all registered persons to provide evidence of their personal trading in any outside account, and the Advisor will review internal accounts of registered persons on a quarterly basis, retaining statement copies as evidence of review. Additionally, account activity of the President and CCO will be monitored quarterly by William Hopwood, evidenced by his initials on pertinent account statements.

2.1.5 Financial Records

Records of the Adviser's financial condition, and evidence of current and accurate accountings, are required by Rule 204-2. Included in this requirement are the following:

- Journal, or journals, that lists all cash receipts and disbursement records, and any other records of original entry used to create the journal entries
- General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts
- All check books, bank statements, canceled checks and evidence of current reconciliations
- All bills or statements relating to the business of the Adviser, and evidence of payment, which might include copies of checks received or other statements demonstrating payment of invoices
- Current financial statements, including trial balances and net capital computations, balance sheets, income and expense statements and internal audit working papers relating to the business of the Adviser

2.1.6 Lists by Type of Client/Investor or Account

The Adviser will maintain a list of all accounts in which the Adviser is vested with discretionary authority.

2.1.7 Order Tickets

A ticket or memorandum of each order placed by the Adviser for the purchase or sale of a security, or any

instruction received by the Adviser from the client/investor concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction, will be retained and will include the following information:

Terms and conditions of the order, instruction, modification or cancellation

- Person connected with the Adviser who recommended the transaction
- Person who placed the order
- Account for which the order was entered
- Date
- Bank, broker or dealer by or through whom the order was executed
- Whether or not the order was discretionary

2.1.8 Organizational Documents

The Adviser will maintain current and complete Articles of Incorporation, minute books, stock certificate books and other reports as evidence of its viability as an entity, as required by state or other jurisdictions. *These records will be preserved for at least three years after the cessation of the Adviser's operations*.

2.1.9 Performance Advertising Supporting Documentation

All performance advertising sent directly or indirectly to more than one person will be retained, along with all accounts, books, internal working papers, and any other records or documents that are necessary to form the basis for or demonstrate the calculation of the performance or rate of return of any or all managed accounts or securities recommendations.

The Adviser will endeavor to include all material facts necessary to make performance advertising accurate, fair and balanced. Steps to achieving this will include the following:

- Provide, where appropriate, a benchmark for comparison with adviser performance, including an explanation of material differences between the benchmark and the adviser composites
- Deduct advisory fees from performance results, unless providing results solely to other investment advisory personnel
- Provide access to an accurate description of composites
- Indicate whether results of adviser composites and benchmarks reflect reinvestment of dividends
- Seek to provide performance advertising in a manner as nearly compliant with Global Investment Performance Standards (GIPS) as deemed reasonable given the nature of the adviser's business and its market. Advertising will claim GIPS compliance only in the event the standards have been fully met. In that event, the Adviser will maintain specific written procedures for that purpose.
- Balance claims of potential profit with disclosures of potential for loss

2.1.10 Policies and Procedures

Rule 204-2 requires that the Adviser retain a copy of the Adviser's policies and procedures formulated pursuant to Rule 206(4)-7 that are currently in effect or which were in effect within the most recent 5 year period.

2.1.11 Powers of Attorney

The Adviser is required to maintain all powers of attorney, including any documents that evidence the granting of discretionary powers to the Adviser.

2.1.12 Proxy Records

If the Adviser votes proxies in connection with Rule 206(4)-6, it must retain:

- Copies of its policies and procedures for proxy voting
- Copy of each proxy statement that it receives regarding client/investor securities (it may rely on a third party providing the agreement between the Adviser and third party specifies responsibility for record-keeping)
- Record of each vote cast by the Adviser on behalf of a client/investor/account/fund
- Copy of any supporting documentation created by the Adviser that was material to making a voting decision
- Copy of each client/investor request for information on how the Adviser voted proxies including the Adviser's response

The Adviser does not currently vote proxies.

2.1.13 Solicitor Disclosure Document

All written acknowledgements of receipt of disclosure documents provided in connection with Rule 206(4)-3, and copies of the solicitor disclosure document that was provided, will be retained.

2.1.14 Transaction Records

If the Adviser provides any investment supervisory or management service to any client/investor, it will retain a record showing separately for each client/investor the securities purchased and sold, and the date, amount and price of each such transaction; as well as by-security information for each client/investor such that the Adviser can promptly furnish the name of each client/investor with an interest in the security and the amount of that interest.

2.1.15 Written Agreements

Copies of any and all written agreements (advisory agreements, subscription agreements, etc) in use with clients/investors will be maintained, including all powers of attorney. Side letters may be deemed to be part of this requirement, as are any written agreement entered into by the Adviser with any client/investor or otherwise relating to its business. Accordingly, all side letters and other written agreements shall be retained among the Adviser's central records.

The executed agreements are retained in separate client/investor files.

2.1.16 Written Communications

Originals of all written communications received and copies of all written communications sent by the Adviser relating to its advisory business will be retained by the Adviser. Written communications include electronic communications, including email and instant messages (where allowed). Retention policy applies to internal communications (those sent among associated personnel of the Adviser) as well as external. Unsolicited market letters and other similar communications of general public distribution not prepared by or for the Adviser are not required under this category.

2.2 Additional Records

Although not enumerated in specific regulations, certain files and records may be requested by a regulatory examiner at the time of an audit. The Adviser elects to maintain certain of these additional types of records.

2.2.1 Best Execution File

Best execution procedures, designed to seek best execution in making client/investor transactions, are covered in Section 10.

2.2.2 Complaint File

All customer complaints, whether written or oral, are to be brought to the attention of the CCO immediately. The CCO will request all related material from the advisory representative or other associated person, where applicable, and will request a copy of that individual's notes documenting the content of any conversation(s) with the complainant in reference to the matter. The CCO or his/her designee will in most instances directly contact the client, doing so promptly, acknowledging the complaint, indicating that the matter is under review, and letting the client know a timely response will be provided.

After a thorough and prompt review of the subject matter, the CCO will determine appropriate resolution with full fairness and the best interest of the client foremost in mind, and will provide a response to the client, either personally or via a designee under the supervision of the CCO.

After giving priority to client response, the CCO will further consider responsibility for the complaint, whether there was any misconduct or lack of training or inadequacy of procedures, and take appropriate action in response to that assessment. Where appropriate, regulatory authorities will be notified and/or disciplinary action taken, with consideration for the nature of any violations and any prior history of failure to uphold the fiduciary standards of the Advisor. In addition, consideration will be given to any procedural improvements that may prevent such an occurrence in the future.

The Adviser maintains a central record of written or verbal client/investor complaints. The file for each complaint will contain, at minimum:

- The name of the complainant
- Date received
- Copy of written complaint or written summary of verbal complaint
- Description
- Amount of damages claimed, if any
- Summary of the assessment and steps taken, including a copy of firm's responses, actions taken to resolve the complaint, and other notes related to the complaint or its resolution
- Final disposition, including date and settlement terms, if applicable

2.2.3 Disaster Recovery

Procedures addressing the steps the Adviser will take to monitor and maintain systems in a manner that would enable its continuous operation in the event of an unforeseen disaster or other interruption in business are addressed in Section 5. A summary of the Adviser's policies is provided to clients/investors. The plan includes the means for recovery of the Adviser's critical systems; restoration or recovery of any permanent record of the Advisor (including employee files and financial records); primary contact information; location and status of back-ups; alternative venue for employees and other systems; and procedures that might enable the Adviser and its clients/investors to regain effective operations.

2.2.4 Client/Investor Lists

Upon regulatory examination, the Adviser will be prepared to produce lists of its clients/investors that contain:

- Client/Investor Name

- State of Residence of Client/Investor
- Type of Account
- Account establishment date
- Opening balance of account
- Current balance of account (as of most recent quarter end)
- Account redemption date
- Clients/investors subject to Power of Attorney
- Custodian for the account

2.2.5 Organizational Chart

The Adviser will maintain an organizational chart that is current and complete at all times.

2.2.6 Privacy Policy

Regulation S-P and the Federal Trade Commission Privacy of Consumer Financial Information; Final Rule requires that Advisers maintain a privacy policy to ensure that nonpublic client/investor data be subject to adequate controls and security. In connection with this Regulation, the Adviser is required to distribute a privacy statement at the time of initial investment, and no less than annually thereafter to clients/investors. Details regarding the Adviser's privacy policy are provided in a later section of this manual. The Privacy Policy file contains evidence of the statement's annual distribution to clients/investors.

2.2.7 Regulatory Inspections

Documentation related to any regulatory inspection, including documentation of steps taken to remedy findings, shall be maintained.

2.2.8 Trade Errors

Evidence of the Adviser's resolution of trade errors shall be maintained in a log and/or file kept among the central records. The record shall include the manner in which the error was resolved, the client/investor and transaction(s) effected by the error, and evidence that a supervisor of the Adviser was aware of the error and its resolution.

2.3 Books and Records Retention

All records of the Adviser (except as noted below) will be retained for a minimum of 5 years in an easily accessible place. The records will remain on the Adviser's premises for at least 2 years. Additionally, the following will be retained for 3 years beyond the life of the entity:

- Copies of the original documents filed with the SEC or state securities commission(s)
- Registration letters received from all regulatory agencies
- Organizational Records
- Annual filings (Schedule I)
- Withdrawal notification (Form ADV-W)

2.3.1 Electronic Maintenance of Records

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Rule 204-2(g) establishes special requirements of Advisers using electronic media for retention of records. SEC Release IA 1945, for May, 2001, provides further guidance for such retention methods.

In general, the following requirements apply when electronic media is used for retention:

- The Adviser is required to maintain an index of the records in a way that permits easy location, access and retrieval of any particular record.
- The Adviser shall promptly provide a legible, true, and complete copy of the record in the medium and format in which it is stored; a legible, true, and complete printout of the record; and the means to access, view and print such record.
- The Adviser must separately store, for the time required for the preservation of the original record, a duplicate copy on appropriate media.
- The record must be protected from loss, alteration, or destruction. Additionally, the Adviser must ensure that electronic records are subject to an appropriate degree of security, including provisions to prevent viewing or access of unauthorized parties. The Adviser must ensure that the SEC or other regulatory examiner is granted access to view the records.

2.4 Procedures for Compliance with Record-Keeping Policies

2.4.1 Direct Delivery of Client Statements

In addition to records itemized above, the Adviser also has a policy of requesting and maintaining duplicate copies of all client account statements to establish reasonable belief that statements are being provided to clients at least quarterly as anticipated. The CCO will verify documentation of receipt of duplicate copies on a quarterly basis.

2.4.2 Reconciliation of Client Account Records

In the event the Adviser maintains client account records independent of records maintained by direct account custodians, the Advisor will compare its records with records provided by custodians for a representative group of accounts on a quarterly basis. If there are discrepancies, the source of the discrepancy will be researched and a comprehensive review and reconciliation conducted for accounts that may be affected. The sole exceptions are for discrepant amounts of negligible effect. Records of quarterly review and steps taken to achieve reconciliation will be maintained by the CCO.

2.4.3 General

The CCO is responsible for assuring that the Adviser has established policies to comply with books and records requirements and assuring that its records are maintained in a secure central location in a manner that is consistent with applicable SEC and/or State requirements.

3 CODE OF ETHICS AND CONDUCT

As an investment adviser, the Adviser is a fiduciary. It owes its clients/investors the highest duty of loyalty and relies on each employee to avoid conduct that is or may be inconsistent with that duty. It is also important for employees to avoid actions that, while they may not actually involve a conflict of interest or an abuse of a client/investor's trust, may have the appearance of impropriety. Because the Adviser may serve as general partner, investment manager and/or investment adviser to a number of investment partnerships, investment funds and other types of separate accounts (collectively throughout "clients/investors") the Adviser has adopted a code of ethics setting forth policies and procedures, including the imposition of restrictions on itself and employees, to the extent reasonably necessary to prevent certain violations of applicable law. This Code of Ethics and Conduct (the "Code") is intended to set forth those policies and procedures and to state the Adviser's broader policies regarding its duty of loyalty to clients/investors.

3.1 General

Rule 204A-1 requires Advisers to establish, maintain and enforce a written code of ethics. Compliance with the terms of the Rule help assure attention to multiple specific areas of practical importance in meeting the obligations as a fiduciary. More broadly, however, it is and has been from inception the goal and desire of Verity Asset Management to place the welfare and best interests of clients in primary position in all of its operations independent of any form of legal or regulatory requirement. This is both a source of collective fulfillment and a personal expectation of every individual who is associated with the Advisor.

3.1.1 Basic Principles

This Code is based on a few basic principles that should pervade the investment related activities of all employees: (1) the interests of the Adviser's clients/investors come before the Adviser's or any employee's interests; (2) each employee's professional activities and personal investment activities must be consistent with this Code and seek to avoid any actual or potential conflict between the interests of clients/investors and those of the Adviser or the employee; and (3) those activities must be conducted in a way that avoids any abuse of an employee's position of trust with and responsibility to the Adviser and its clients/investors, including taking inappropriate advantage of that position.

Each Employee understands and agrees that any and all activities of the Employee during the term of this Agreement shall in all respects comply with applicable federal and state securities laws; other laws, rules and regulation; any applicable laws of foreign jurisdictions; and the policies and procedures that have been adopted or may in the future be adopted by the Employer (the "Firm Policies"), including without limitation those prohibiting insider trading and front running of client/investor accounts.

Further, it is the policy of the Adviser that every reasonable effort will be made to assure the accuracy of disclosures made to investors, clients, and regulators, including those contained in account statements and advertising or promotional materials.

The Adviser will disclose the existence of this Code of Ethics in its Form ADV, Part 2 and will offer a full copy to any client upon request.

Each employee is responsible to immediately notify the Chief Compliance Officer if they become aware of any violations of this Code.

3.1.2 Chief Compliance Officer

Many of the specific procedures, standards, and restrictions described in this Code involve consultation with the Chief Compliance Officer ("CCO"). The CCO will be designated by the President of the Adviser. The currently designated CCO is Gordon T. Wegwart.

3.1.3 Security

For purposes of this Code, the term "security" includes not only stocks, but also options, rights, warrants, futures contracts, convertible securities or other securities that are related to securities in which the Adviser's clients/investors may invest or as to which the Adviser may make recommendations.

3.1.4 Covered Accounts

Many of the procedures, standards and restrictions in this Code govern activities in "Covered Accounts." Covered Accounts consist of:

1. Securities accounts of which the Adviser is a beneficial owner, provided that (except where the CCO otherwise specifies) investment partnerships or other funds of which the Adviser or any affiliated entity is the general partner, investment adviser or investment manager or from which the Adviser or such affiliated entity receives fees based on capital gains are generally not considered Covered Accounts, despite the fact that the Adviser or employees may be considered to have an indirect beneficial ownership interest in them
2. Each securities account registered in an employee's name and each account or transaction in which an employee has any direct or indirect "beneficial ownership interest" (other than accounts of investment limited partnerships or other investment funds not specifically identified by the CCO as "Covered Accounts")

3.1.5 Beneficial Ownership

The concept of "beneficial ownership" of securities is broad. It includes not only securities a person owns directly, and not only securities owned by others specifically for his or her benefit, but also (i) securities held by his or her spouse, minor children and relatives who live full time in the home, and (ii) securities held by another person if by reason of any contract, understanding, relationship, agreement or other arrangement the employee obtains benefits substantially equivalent to ownership.

Note: This broad definition of "beneficial ownership" does not necessarily apply for purposes of other securities laws or for purposes of estate or income tax reporting or liability. An employee may declare that the reporting or recording of any securities transaction should not be construed as an admission that he or she has any direct or indirect beneficial ownership in the security for other purposes.

3.1.6 Personal Account Trading and Investment Policy

It is the Adviser's policy to impose specific requirements related to each covered person's personal trading and investment activity.

The Adviser's policy is to consider the effects of various types of trading, including short term trading and trading in new issues as a potential conflict of interest. Similarly, the Adviser may impose specific requirements related to investments in private placements.

Approval may be refused for any proposed trade by an employee that:

1. Involves a security that is being or has been purchased or sold by the Adviser on behalf of any client/investor account or is being considered for purchase or sale
2. Is otherwise prohibited under any internal policies of the Adviser (such as the Adviser's Policy and Procedures to Detect and Prevent Insider Trading)
3. Breaches the employee's fiduciary duty to any client/investor
4. Is otherwise inconsistent with applicable law, including the Advisers Act and the Employee Retirement Income Security Act of 1974, as amended
5. Creates an appearance of impropriety

The Procedures section addresses the Adviser's specific procedures for these types of investments and trading.

3.1.7 Service as a Director

No employee may serve as a director of a publicly-held company without prior approval by the CCO (or a senior principal, if the CCO is the proposed board member) based upon a determination that service as a director would not be averse to the interests of any client/investor. In the limited instances in which such service is authorized, employees serving as directors will be isolated from other employees who are involved in making decisions as to the securities of that company through procedures determined by the CCO to be appropriate in the circumstances. These practices may also constitute illegal "insider trading." Some of the specific trading rules described below are also intended, in part, to prevent front running and scalping. If an account is managed by an investment adviser, other than the Adviser, to which full investment discretion has been granted, these rules will not apply for so long as the employee(s) who has (have) a beneficial ownership interest in the account does not have or exercise any discretion. Such accounts will remain subject to the reporting requirements set forth in the next section of this Code.

3.1.8 Gifts

Giving or receiving by an associated person or a member of an associated person's immediate family of any gift, including event tickets, of more than nominal value ($100/year) in connection with the business is prohibited, except as otherwise permitted by the CCO. In addition, no gifts or receipts of cash or cash equivalents are permitted under any circumstances. Gifts are considered in aggregate on an annual basis whether or not they are conferred by the same or different people at the Adviser or the other (recipient) firm or party.

Business Entertainment

Ordinary and usual business entertainment where the covered person is acting as host and accompanies the client's employee(s) is not generally subject to the above limitations provided that such entertainment is neither so frequent nor so extensive as to raise any question of propriety. "Business entertainment" is defined as providing entertainment to a client's employee in the form of any social event, hospitality event, charitable event, sporting event, entertainment event, meal, leisure activity or event of like nature or purpose. It includes transportation and/or lodging associated with or related to such activity or event, including business entertainment offered in connection with an educational event or business conference. However, gifts given during the course of business entertainment and conferences must be recorded as gifts.

Appropriate Forms of Business Entertainment

The criteria that the Advisor uses to evaluate the propriety of business entertainment may include the following factors:

* With Respect to the Entertainment:

Whether the nature, cost, or extent of the entertainment could reasonably give rise to an actual or perceived

conflict of interest, or encourage a quid pro quo business transaction. Whether the nature, cost, and extent of the entertainment is consistent with the nature of the business relationship and the relationship of the parties involved. Whether the provision of any transportation, lodging, or other accommodations is appropriate. Whether the entertainment would be considered usual and customary within the industry. Whether the entertainment would be considered usual and customary within the Advisor. Whether the cost of the entertainment is consistent with the location (city and/or establishment) in which the entertainment takes place. Whether the entertainment extends to the client's spouse or to guests of the client. Whether the entertainment might otherwise reasonably be perceived to be improper.

* With respect to the client:

Whether the recipient of the entertainment has fiduciary duties (e.g., to a public company, a state, or a municipality) that may give rise to specific legal or ethical considerations. Frequency of entertainment provided to the client. Frequency of firm contact with the client in the ordinary course of business.

* With Respect to the Business Purpose:

Whether the entertainment is in recognition of a completed deal.

Whether the entertainment is educational/philanthropic in nature, or strictly recreational.

It is acceptable for covered persons of the Advisor to provide meals; tickets to entertainment, social or sporting events; admission or fees to leisure activities; or other events of like nature, so long as the entertainment would not appear extravagant or excessive under the circumstances or otherwise inappropriate. However, it is prohibited by the Advisor for business entertainment under any circumstance to have a value of greater than $150 per person per event, to have a cumulative annual value of greater than $250, to consist of more than 3 events per person per year, or to involve an overnight stay without prior written approval by the CCO.

Records of Expenses

For all instances in which a covered person provides business entertainment to an employee of a client, the covered person must submit to the CCO on a monthly basis detailed records of the nature and expense of business entertainment that includes the following information, at minimum:

. Date(s) of business entertainment

. Client and employee name(s)

. Description of the activity

. Cost of the activity

Supervision

If an activity is deemed to be so lavish or otherwise inappropriate as to interfere with an employee's duty to his/her employer, the CCO will require additional training for a first offense. Any further offense will, at minimum, result in a requirement of pre-approval for any proposed business entertainment and may result in prohibition of future business entertainment, at the discretion of the CCO. To prevent such offenses, the CCO should be

consulted in advance in any instance that may be subject to interpretation of the above guidelines.

3.1.9 Duties of Confidentiality

All information relating to clients/investors' portfolios and activities and to proposed recommendations is strictly confidential. Consideration of a particular purchase or sale for a client/investor account may not be disclosed, except to authorized persons.

3.1.10 General Ethical Conduct:

The following are potentially compromising situations that must be avoided:

- Causing the Adviser, acting as principal for its own account or for any account in which the Adviser or any person associated with the Adviser (within the meaning of the Investment Advisers Act) has a beneficial interest, to sell any security to or purchase any security from a client/investor in violation of any applicable law, rule or regulation of a governmental agency
- Communicating any information regarding the Adviser, the Adviser's investment products or any client/investor to prospective clients/investors, journalists, or regulatory authorities that is inaccurate, untrue or omitting to state a material fact necessary in order to make the statements the Adviser has made to such person clear and complete in their proper context
- Engaging in any act, practice, or course of business that is fraudulent, deceptive, or manipulative, particularly with respect to a client/investor or prospective client/investor
- Engaging in any conduct that is not in the best interest of the Adviser or that might appear to be improper
- Engaging in any financial transaction with any of the Adviser's vendors, clients/investors or employees, including but not limited to: providing any rebate, directly or indirectly, to any person or entity that has received compensation from the Adviser; accepting, directly or indirectly, from any person or entity, other than the Adviser, compensation of any nature such as a bonus, commission, fee, gratuity or other consideration in connection with any transaction on behalf of the Adviser; beneficially owning any security of, or have, directly or indirectly, any financial interest in, any other organization engaged in securities, financial or related business, except for beneficial ownership of not more than one percent (1%) of the outstanding securities of any business that is publicly owned, without prior written consent of the Adviser.
- Engaging in any form of harassment
- Improperly using or authorizing the use of any inventions, programs, technology or knowledge that are the proprietary information of the Adviser
- Investing or holding outside interest or directorship in clients/investors, vendors, customers or competing companies, including financial speculations, where such investment or directorship might influence in any manner a decision or course of action of the Adviser. In the limited instances in which service as a director is authorized by the Adviser, employees serving as directors will be isolated from other employees who are involved in making decisions as to the securities of that company through procedures determined by the Adviser to be appropriate according to the circumstances
- Making any unlawful agreement with vendors, existing or potential investment targets or other organizations.
- Unlawfully discussing trading practices, pricing, clients/investors, research, strategies, processes or markets with competing companies or their employees
- Using any device, scheme or artifice to defraud, or engaging in any act, practice, or course of conduct that operates or would operate as a fraud or deceit upon, any client/investor or prospective client/investor or any party to any securities transaction in which the Adviser or any of its clients/investors is a participant

3.1.11 Misappropriation of Customer Funds

Misappropriation, stealing, or conversion of customer funds is prohibited and constitutes serious fraudulent and criminal acts. Examples of such acts include (1) unauthorized wire or other transfers in and out of customer accounts; (2) borrowing customer funds; (3) converting customer checks that are intended to be added or debited to existing accounts; and (4) taking liquidation values of securities belonging to customers.

3.2 Insider Trading

The Adviser has adopted the following policies and procedures to detect and prevent the misuse of material, nonpublic information by employees of the Adviser.

3.2.1 Policy Statement on Insider Trading

The Adviser forbids any officer, director or employee from trading, either personally or on behalf of others, on material nonpublic information or communicating material nonpublic information to others in violation of the law. This conduct is frequently referred to as "insider trading." The Adviser's policy applies to every officer, director and employee and extends to activities within and outside their duties at the Adviser. Each officer, director and employee must read this policy statement and acknowledge his or her understanding of it. Any questions regarding the Adviser's policy and procedures should be referred to the CCO.

The term "insider trading" is not defined in the federal securities laws, but generally is used to refer to the use of material nonpublic information to trade in securities (whether or not one is an "insider") or to communications of material nonpublic information to others.

While the law concerning insider trading is not static, it is generally understood that the law prohibits the following:

- Trading by an insider while in possession of material nonpublic information
- Trading by a non-insider, while in possession of material nonpublic information, where the information either was disclosed to the non-insider in violation of an insider's duty to keep it confidential or was misappropriated
- Communicating material nonpublic information to others in violation of one's duty to keep such information confidential

3.2.2 Who Is An Insider?

The concept of an "insider" is broad. It includes officers, directors and employees of a company. In addition, a person can be a "temporary insider" if he or she enters into a special confidential relationship in the conduct of a company's affairs and as a result is given access to information solely for the company's purposes. A temporary insider can include certain "outsiders" such as, among others, a company's attorneys, accountants, consultants, bank lending officers, and the employees of such organizations. According to the United States Supreme Court, before such an "outsider" may be considered a "temporary insider", the company's relationship with the outsider must be such that the company reasonably expects him or her to keep the disclosed nonpublic information confidential.

3.2.3 What Is Material Information?

While covered persons are prohibited from trading on inside information, trading on inside information is not a basis for liability unless the information is "material." Information generally is material if there is a substantial likelihood that a reasonable client/investor would consider it important in making his or her investment decisions, or if public dissemination of the information is reasonably certain to have a substantial effect on the price of a company's securities. Information that should be presumed to be material includes, but is not limited to: dividend changes; earnings estimates; changes in previously released earnings estimates; significant merger or acquisition proposals or agreements; commencement of or developments in major litigation; liquidation problems; and extraordinary management developments.

Questions one might ask in determining whether information is material include:

- Is this information that a client/investor would consider important in making his or her investment decisions? Is this information that would substantially affect the market price of the securities if generally disclosed?
- Is the information nonpublic? To whom has this information been provided? Has the information been effectively communicated to the marketplace by being published in a recognized national distribution agency or publication such as Reuters, The Wall Street Journal or other such widely circulated publications?

Caution must be exercised however, because material information does not necessarily have to relate to a company's business. The Supreme Court of the United States has broadly interpreted materiality in some cases, and has asserted criminal liability associated with inappropriate disclosures.

3.2.4 What Is Nonpublic Information?

Information is nonpublic until it has been effectively communicated to the market place. One must be able to point to some fact to show that the information is generally public. For example, information found in a report filed with the Securities and Exchange Commission, or appearing in Dow Jones, Reuters Economic Services, The Wall Street Journal or other publications of general circulation would be considered public.

3.2.5 Types of Liability

Actions by the US courts, including the Supreme Court have resulted in findings that assert liability to fiduciaries in the context of trading on material nonpublic information. In some cases it has been found that a non-insider can enter into a confidential relationship with the company through which they gain information or they can acquire a fiduciary duty to the company's shareholders as "tippees" if they are aware or should have been aware that they have been given confidential information by an insider who has violated his fiduciary duty to the company's shareholders. This is a circumstance into which an associate of the Adviser may fall.

In the "tippee" situation, a breach of duty occurs only if the insider personally benefits, directly or indirectly, from the disclosure. It is important to note that the benefit does not have to be monetary; it can be a gift, and can even be a 'reputational' benefit that will translate into future earnings.

Another basis for insider trading liability is the "misappropriation" theory, where trading occurs on material nonpublic information that was stolen or misappropriated from any other person. This theory can be used to apply liability to individuals not previously thought to be encompassed under the fiduciary duty theory.

3.2.6 Penalties for Insider Trading

Penalties for trading on or communicating material nonpublic information are severe, both for individuals involved in the trading (or tipping) and their employers. A person can be subject to some or all of the penalties below even if he or she does not personally benefit from the violation. Penalties include:

- Civil injunctions
- Damages in a civil suit as much as three times the amount of actual damages suffered by other buyers or sellers
- Disgorgement of profits
- Jail sentences
- Fines for the person who committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually benefited, and
- Fines for the employer or other controlling person of up to the greater of $1,000,000 or three times the amount of the profit gained or loss avoided
- Prohibition from employment in the securities industry

In addition, any violation of this policy statement can be expected to result in serious disciplinary measures by the Adviser, including dismissal of the persons involved.

3.3 Custody

Under the Custody Rule (SEC Rule 206(4)-2), an Adviser is deemed to have "custody" when it holds, directly or indirectly, client funds or securities or has authority to obtain possession of them.

Qualified Custodian - The Advisor will place new client assets with one or more “qualified custodians” who maintain client funds and securities in a separate account for each client under the respective client’s name.

Account Statements to Clients – The Advisor will have a reasonable basis, after due inquiry, for believing that each qualified custodian sends an account statement, at least quarterly, to each of the Advisor’s clients for which the custodian maintains funds or securities. The Advisor will maintain records demonstrating the manner in which it has made its determination that the qualified custodian is sending account statements to clients.

Client Login Credentials – The Advisor prohibits any of its personnel, including administrative personnel, from obtaining possession of a client’s web access login credentials for accounts held outside the firm.

Standing Letters of Authorization (SLOA) – The Advisor will accept a standing letter of authorization from a client to move money between a client’s own accounts at a given custodian, issue checks payable to the account holder at the address of record, and/or transfer money via wire or ACH between the client’s own accounts from one financial institution to an outside financial institution, such as the client’s bank, so long as the client provides the sending custodian a signed authorization form listing the receiving account number(s) at the outside financial institutions. The Advisor will not accept SLOAs which permit the Advisor to designate the payee or which direct the Advisor to disburse funds to a third party.

Checks and Monetary Instruments – The Advisor accepts checks made payable to a custodian for deposit into client accounts. Such checks will be forwarded to the respective custodian(s) within one business day of receipt by the Advisor at its home office, with records maintained reflecting the client name, the name of the account

custodian to whom payable, the amount of the check, the date received, the date forwarded, and the manner in which forwarded. The Advisor prohibits the receipt of currency and monetary instruments (including traveler's checks, checks of any type that are endorsed without restriction, incomplete negotiable instruments that are signed but with the payee's name omitted, and securities or stock in bearer form). Checks made payable to the client by a third party and endorsed by the client may be accepted and forwarded to the respective custodian for deposit into the client's account if the client has specifically endorsed the check to the custodian. If acceptable to the custodian of a client's account, checks made payable to the client by a third party may be accepted and forwarded to the respective custodian without endorsement. If the Advisor inadvertently receives any of the other prohibited types of checks or financial instruments noted, they will be returned (or, where preferable for security reasons, destroyed with the written consent of the client) within three business days of receipt. The Advisor will maintain records of receipt and disposition of such funds or instruments, with all actions and records under the direct supervision of the Chief Compliance Officer.

Limited Partnerships and Limited Liability Companies – See Section 18.6.

3.4 Procedures for Compliance with Code of Ethics

The CCO has determined that all employees are covered by the Adviser's Code of Ethics. In the following procedures all such persons shall be referred to as "covered persons." The Adviser deems all of these persons to be "access persons", which under SEC regulations is defined as a supervised person who has access to nonpublic information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. The CCO will maintain a current list of such persons in the compliance files and will retain all lists for a minimum of 5 years.

The CCO shall assume responsibility for maintaining, in an accessible place, copies of all versions of this Code of Ethics for the most recent five years, a record of any violation of these procedures or any other ethical lapses or compliance breaches for the most recent five years, and a detailed synopsis of the actions taken in response to any violations, including the nature of the issue, the identity of the person making the report, and the rationale for the action taken.

Any employee who becomes aware of any violations of the Code must promptly report the violation to the CCO. Such persons will be protected from negative repercussions or retaliation that might arise as a result of their initiative in reporting a potential violation. In this regard, should the individual to whom they are reporting, including the CCO, have a potential conflict of interest, they are empowered to otherwise report to any senior officer or to the Board of Directors.

In an effort to prevent insider trading, through his/her own efforts or as delegated to qualified covered persons under his/her supervision, the CCO will do the following:

1. Provide, on a regular basis (no less than annually), an educational program to familiarize covered persons with the Adviser's policy and procedures
2. Require each employee to acknowledge, on an annual basis, his or her receipt of and compliance with the Code of Ethics and its policies and procedures regarding insider trading, and retain the acknowledgements among the Adviser's central compliance records
3. Resolve issues of whether information received by an employee of the Adviser is material and nonpublic and document findings
4. Review annually and update as necessary the Adviser's policy and procedures and document any resulting amendments or revisions
5. When it is determined that an employee of the Adviser has material nonpublic information, implement measures to prevent dissemination of such information and if necessary, restrict covered persons from trading in the securities

Within 10 days of becoming a covered person, which for most individuals will be concurrent with the date of employment, each covered person must furnish to the CCO a "position" statement for all covered accounts, which will consist of either an account statement or equivalent information that is current as of a date within 45 days prior to the date the individual became a covered person. (This does not apply to accounts consisting solely of money market instruments, bank certificates of deposit, money market funds, or other mutual funds.) Concurrently, the covered person must provide information and authorization to permit the CCO to request duplicate confirmations and statements for the pertinent accounts moving forward. For each account, the CCO will perform the following actions:

1. Review the duplicate trade confirmations and account statements for all accounts of beneficial interest of covered persons.
2. In the event duplicate statements are not received by the CCO on a timely basis following the end of each quarter, the CCO shall request and the covered person must provide equivalent transaction reports, to be furnished to the CCO within 30 days of the end of the quarter.
3. Require covered persons to attest to the completeness of each individual's disclosure of outside accounts at the time of hiring and at least annually thereafter.

To determine whether the Adviser's covered persons have complied with the rules described above (and to detect possible insider trading), the CCO will review transactions effected in covered accounts within 30 days after the end of each month, and will review duplicate trade confirmations provided pursuant to those rules within 10 days after their receipt. The CCO will compare transactions of potential concern in Covered Accounts with transactions in the firm’s model portfolios for transactions or trading patterns that suggest violations of this Policy or potential front running, scalping, or other practices that constitute or could appear to involve abuses of covered persons' positions.

Although covered persons are not prohibited under this policy from trading securities for their own accounts at the same time that they are involved in trading on behalf of the Adviser, they must do so only in full compliance with this Policy and their fiduciary obligations. At all times, the interests of the Adviser's clients will prevail over the covered person's interest. To provide further assurance of this fact and help eliminate any appearance of impropriety, a "blackout period" will be in effect during the days when transactions are being executed in the Advisor's model portfolios as a result of allocation changes. On such days, no covered person may knowingly place personal transactions in securities that are being purchased or sold for client accounts for purposes of the re-allocation process. In addition, personal transactions should be avoided in any instance in which the same security is being purchased for client accounts in material quantities on a given day. Personal accounts of covered persons will be scrutinized by the CCO for any appearance of impropriety. To avoid potential conflicts of interest and possible disciplinary action, covered persons should in general consult with the CCO prior to executing transactions in securities known to be held in client accounts or held in any of the

Advisor's model portfolios.

No trades or trading strategies used by a covered person may conflict in any material way with the Adviser's strategies or the markets in which the Adviser is trading. The Adviser's covered persons may not use the Adviser's proprietary trading strategies to develop or implement new strategies that may otherwise disadvantage the Adviser or its clients. Personal account trading must be done on the covered person's own without placing undue burden on the Adviser's time. No transactions should be undertaken that are beyond the financial resources of the covered person.

Annually each covered person must certify that he or she has read and understands this Code and that he or she has complied with all of the rules and requirements of this Code that apply to him or her. The CCO is charged with responsibility for collection, review, and retention of the certifications submitted by covered persons.

No employee may purchase new publicly offered issues of any securities, initial public offerings (IPO's), or private placements for any covered account without the prior written consent of the CCO. The CCO will place a record of such approvals in the employee's personnel file.

All statements of holdings, duplicate trade confirmations, duplicate account statements, and/or monthly and quarterly reports will generally be held in confidence by the CCO. However, the CCO may provide access to any of those materials to other members of the Adviser's management in order to resolve questions regarding compliance with this Policy and regarding potential purchases or sales for client accounts, and the Adviser may provide regulatory authorities with access to those materials where required to do so under applicable laws, regulations, or orders of such authorities.

To prevent the misappropriation, stealing or conversion of customer funds, the Adviser will:

- Prohibit processing of address changes in the Advisor's client account maintenance software by investment advisory representatives.
- Ensure associated persons do not have the ability to alter account statements on-line.
- Confirm changes of address with the customer by mailing an address change confirmation letter to both the old and new addresses.
- Closely analyze customers' use of any address other than their home address. Requests for use of P.O. boxes, "in care of" addresses, and other than home addresses must be in writing and confirmed in the manner indicated above.
- Compare addresses for new accounts and address change requests with the existing client/associated person database to identify any duplicate addresses. Verify proper address to the satisfaction of the CCO for customer accounts that show the same address as an associated person or use the same address as other unrelated customers. CCO initials on pertinent paperwork will provide documentation of review and approval.
- Have the CCO or designee contact the customer directly to follow up on and investigate unusual activity.
- If possible, provide customers with access to their account statements on a secure website so that customers can easily verify activity in their accounts.
- Require each associated person who has knowledge of misappropriation, stealing or conversion of customer funds to promptly report the situation to the CCO.

An investment advisory representative who intends to open an account over which he/she will exercise direct control as trustee, administrator, executor, guardian, custodian, or the like must obtain prior written approval from the Compliance Officer unless the account will be for the sole beneficial interest of themselves or their immediate family members. The approval request must be accompanied by a copy of the document(s) identifying the representative in the specified role (i.e. trustee, administrator, etc.). The Compliance Officer will disclose to individuals with beneficial interest in the account and other related individuals, as appropriate, the dual roles to be occupied by the investment advisory representative and the potential conflict of interest this poses, with particular attention to dual compensation, where applicable. Copies of this disclosure will be retained in the client

file. The Compliance Officer may alternatively elect to assign direct representation of the account to another investment advisory representative within the Advisor. Account activity will be reviewed monthly and documented by the signature of the Compliance Officer on account activity statements.

The Advisor places the very highest priority upon ethics and the importance of placing the interests of clients ahead of the interests of the Advisor and its personnel. Conflicts of interest will be avoided wherever possible, and any known conflicts of interest will be disclosed on the Advisor's ADV, Part 2, which will be updated on a regular basis, but no less than annually, and will be amended as needed. Any violation of this code and its procedures subjects the violator to potential sanctions up to and including suspension and termination of employment at the discretion of the CCO and/or members of senior management.

It is the intent of this policy that no client will be inappropriately favored over any other client. Exceptions with appropriate rationale and documentation will be made only at the discretion of the CCO.

4 ANTI-MONEY LAUNDERING

In response to the September 11, 2001 attacks on America, On October 26, 2001, President Bush signed into law the USA PATRIOT Act. Title III of the USA PATRIOT Act, entitled the "International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001" (the Act), requires all "financial institutions" to establish an anti-money laundering program.. In particular Section 352 of the USA PATRIOT Act states that each financial institution must establish an anti-money laundering program. While investment advisers do not currently fall under the pertinent definition of “financial institutions”, it is the policy of the Adviser to maintain an anti-money laundering program which adheres materially to the regulations governing “financial institutions”.

As such, anti-money laundering compliance is the responsibility of every associated person, and any associated person that detects activity that seems to be suspicious is instructed to report such activity to the AML CO. The responsibility of associated persons to participate in the AML Compliance Program is reinforced through training, no less frequently than annually, and through ongoing oversight performed by or at the instruction of the AML CO.

4.1 Definition

Money laundering is engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have been derived from legitimate origins or to constitute legitimate assets. Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes.

In addition, money laundering may include (1) willfully ignoring ("willful blindness") the source of a client/investor's assets or the nature of client/investor transactions; and/or (2) failing to report suspected money laundering activities and failing to maintain required records of transactions in order to hide and transfer assets, money launderers require the intentional or unintentional assistance of an associated person or a financial institution.

4.2 Due Diligence

It is the Adviser's policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering of the funding of terrorist or criminal activities.

The purpose of the Adviser's AML policies and procedures is to:

1. Uphold the objectives of the law
2. Protect the Adviser and its associated persons from persons who would misuse the Adviser’s facilities and resources
3. Safeguard the Adviser and its associated persons from the appearance of impropriety and from the violation of anti-money laundering laws

4.3 AML Compliance Officer

The Adviser will assign an individual as the Adviser's AML Compliance Officer (" AML CO "). The AML CO will implement the Adviser's AML Policies and Procedures. The Adviser will provide regulators, where appropriate, with AML Compliance Officer's contact information.

4.4 Associated Person Awareness and Training

The Adviser requires existing associated persons to periodically acknowledge receipt of the Advisor’s AML procedures, as deemed appropriate by the AML CO. The Adviser shall establish a training program to include periodic training related to AML.

4.5 Procedures for Compliance With Anti-Money Laundering Policies

The AML CO for the Adviser is Gordon T. Wegwart.

The AML CO shall be responsible for implementation of the AML program, including its Customer Identification Procedures (CIP) and employee training.

While the Adviser maintains this summary description of its AML procedures as part of its IA Policies and Procedures Manual, full and comprehensive AML procedures for the Advisor are maintained and regularly updated in an independent document entitled Verity Asset Management, Inc. Anti-Money Laundering Program.

5 BUSINESS CONTINUITY

Under Rule 206(4)-7, the SEC requires Advisers to create and maintain written terms for business continuity as part of overall supervisory systems.

5.1 Content of Plan

A Business Continuity Plan ("BCP") is a comprehensive document outlining the Adviser's procedures for recovering from an event that interferes with operations, such as natural disasters and other emergencies, ensuring preparedness for any future business disruptions.

The Adviser has separately developed a disaster recovery and business continuity plan to meet its responsibilities to clients/investors, staff, business associates and others who may be affected by a disruption in the Adviser's business. A member of senior management, who is also a principal of the Advisor, approves the plan. It is updated at least annually or as soon as possible in the event of a material change in operations, structure, business and/or location(s).

The Adviser’s full Business Continuity Procedures are maintained in a separate document.

5.2 Procedures for Compliance with Business Continuity Planning

The CCO will ensure that the Adviser maintains a BCP under separate cover. No less than annually, the CCO will re-evaluate the efficacy of the plan, and will amend the plan according to his/her findings. The CCO will retain evidence of the test results and any subsequent corrective action.

6 RISK MANAGEMENT AND INTERNAL CONTROLS

The SEC requires that operating managers and compliance staff of an Adviser obtain an understanding of the Adviser's control procedures in the most critical or strategic risk management areas.

The Adviser seeks to carefully and thoroughly identify and manage risk in line with its fiduciary responsibility to investors.

One of the roles of the risk monitoring function is to identify the factors affecting the risk and return of the client/investor's or fund's investments, both within individual portfolios and across the entire range of activities of the Adviser.

The Adviser's policy is to seek risk awareness in multiple categories. Certain of those categories are specifically addressed in this document. The Adviser's risk is addressed more broadly, including consideration of various other categories, in a separate document entitled "**Risk Management**", which is updated no less than annually and maintained with the Compliance Files.

6.1 Market Risk

Market Risk is the risk of investment loss based on financial market conditions.

The Advisor's investment process defines and monitors risk in three primary dimensions: a) volatility, b) correlation of portfolio components, c) potential for significant price declines resulting from any and all material factors, including:

- overvaluation
- unfavorable technical conditions (including both short/intermediate and macro trends) or general market dynamics
- unfavorable economic conditions
- unfavorable fiscal and/or monetary conditions
- unfavorable geopolitical conditions

To help address market risk, the Advisor uses multiple investment strategies and methods of analysis. Regardless of investment strategy, method of analysis, or holding periods, risk of loss remains. We seek to use these strategies and methods of analysis, along with an awareness of their risks and limitations, in such a manner as to contain the degree of risk to any single model or portfolio in a manner consistent with the respective risk profile and objective for each.

Procedures for management of market risk are further addressed in Section 6.5.

6.2 Credit Risk

Credit risk is the potential that a borrower will fail to meet its obligations, resulting in a loss of part of all of the principal invested by a holder of bonds or fixed-income securities in general. Credit ratings and general credit conditions of fixed-income securities are evaluated prior to purchase and are monitored for material changes throughout the holding period. In addition, the overall credit risk of pertinent models is monitored for consistency with their stated risk profile and investment objective.

6.3 Liquidity Risk

Liquidity risk is the risk that, under certain conditions, a security cannot be traded quickly without negatively impacting the market price. The Adviser does not use strategies that create material exposure to such risks, but individual securities within some models and other portfolios may be subject to liquidity risk.

The Adviser manages liquidity risk by analyzing portfolio securities on both an initial and an ongoing basis, limiting the use of securities subject to material liquidity risk, limiting the concentration of any such securities within individual models or portfolios, and monitoring markets for conditions which might exacerbate liquidity risk for the securities in question.

6.4 Operational Risk

The Adviser faces operational risk on a day-to-day basis through the potential for human error on the part of its employees (including data entry errors, trade errors, negligence, and fraud, among others), through potential for failure of its operating systems (including technical failures, among others) and through the activities of third parties that provide services to the Adviser.

6.5 Procedures for Compliance with Risk Management and Internal Controls

The CCO is charged with responsibility for assessment of the primary areas of the Adviser's risk. The annual internal assessment of risk in its various manifestations is captured is a document entitled “Risk Management”, which is maintained with the Compliance Files. Based upon regular assessment of the various areas of risk, the CCO, in coordination with other members of senior management, devises and implements internal controls and other processes that seek to mitigate risk within reasonable parameters.

Direct responsibility for the Advisor’s **investment process** lies with the Chief Investment Officer, Gordon Wegwart. Top down assessment of macroeconomic conditions and market trends is conducted by the Chief Investment Officer on an ongoing basis. Each of the Advisor’s models or strategies are implemented within client accounts by a designated portfolio manager under the supervision of the Chief Investment Officer.

In tactical asset allocation models, risk is managed on multiple levels: broad asset class, sector, and regional diversification employed with ongoing attentiveness to potential change in correlations; hedging strategies that vary in nature and magnitude in response to market outlook; and a general attentiveness to fundamentals, technical considerations, and market dynamics. In portfolios on custodial platforms that lack hedging opportunities, levels of cash or cash equivalents may be increased during periods assessed to represent heightened risk.

Risk for other models, strategies, or individual portfolios is managed based upon the stated risk profile and objective for each. Each model or strategy must adhere to stated objectives and be utilized within individual client portfolios only in a manner consistent with the client's investment objectives and overall risk tolerance. Monitoring model portfolio management strategy and implementation is in all instances the responsibility of the Chief Investment Officer, and monitoring ongoing suitability of individual client portfolios, including those being managed separate from the Advisor's model portfolios, is the responsibility of the CCO and his designee.

To evaluate and quantify the effectiveness of the measures utilized to manage market risk, the CCO may request from the Chief Investment Officer, where pertinent, regular reports documenting his analysis of macroeconomic conditions and market trends, as well as documentation of his regular review of the firm’s model portfolios.

To address its **operational risk** the CCO shall regularly confer with the Operations Vice President, the Chief Investment Officer, and Chief Information Officer regarding the pertinent matters managed by each individual to assess, monitor, and enhance the adequacy and effectiveness of the Advisor's processes.

Additionally, the CCO will oversee the management of risk posed by the outsourcing of various critical functions to service providers. Service providers may provide administration, financial reporting, tax and regulatory services, maintenance of books and records, valuation of portfolio securities, preparation of regulatory filings, and other similar functions. The CCO shall ensure that each third party service provider has adequately demonstrated operational soundness by conducting or verifying due diligence at the onset of the relationship and capturing the responsibilities to be performed in a written contract, which will include a confidentiality agreement. In conducting due diligence, consideration will be given to the sensitivity of the data accessed by the third party, the materiality of the function to the Advisor's business, the third party's experience and reputation, the third party's ability to maintain business continuity, and the reliability of its technology or other resources. The third party service provider will be subject to ongoing oversight by qualified and relevant firm personnel for the purpose of monitoring performance and supervising the activities of the service provider. Records of due diligence regarding third party service providers, including documentation of ongoing oversight and the parties exercising oversight, will be retained by the CCO with the Outsourcing files.

Compliance breaches identified by anyone associate with the Advisor are to be reported immediately to the CCO, who will conduct an investigation and take appropriate action. Each incident and its resolution will be documented and retained in the compliance files and/or the personnel files, as appropriate.

7 US REGULATORY FILINGS

The Adviser may be required to make certain regulatory filings on an ongoing basis. US regulatory filings that the Adviser may be required to file in the United States, organized by particular regulatory agency, depending on either their trading activity or their status as a regulated entity are listed and described below.

The filings made to particular regulators by the Adviser depends on the type and volume of trading in which it engages, its business model and the jurisdictions in which it operates, and these requirements may change from time to time based on various triggering events. For example, the size of the positions held may trigger certain regulatory filings.

7.1 Securities and Exchange Commission ("SEC") Filings

SEC filings include those related to the sale of securities by an issuer exempt from registration under Reg. D or 4(6) and ownership of equity securities publicly traded in the United States.

Form D is the notice of sale that is filed after securities, such as interests in a private hedge fund, are sold in reliance on a Regulation D private placement exemption or a Section 4(6) exemption from the registration provisions of the 1933 Act. The form is filed with the SEC and relevant states and is publicly available.

Form 144 is required to be filed as notice of the proposed sale of restricted securities or securities held by an affiliate of the issuer in reliance on Rule 144 when the amount to be sold during any three month period exceeds 500 shares or units or has an aggregate sales price in excess of $10,000. The form is filed with the SEC and the principal national securities exchange, if any, on which such security is traded and is publicly available.

Schedule 13D is a disclosure report that is required to be filed for any investor who is considered beneficially to own more than 5% of a class of equity securities publicly traded in the U.S. The report identifies the source and amount of the funds used for the acquisition and the purpose of the acquisition. This reporting requirement is triggered by direct or indirect acquisition of more than 5% of beneficial ownership of a class of equity securities publicly traded in the United States. Amendments must be filed promptly for material ownership changes. Some clients/investors may instead report on short-form Schedule 13G if they are eligible. Schedule 13D is filed with the SEC and is publicly available.

Schedule 13G is the short-form disclosure report for any passive investor who would otherwise have to file a Schedule 13D but who owns less than 20% of the subject securities (or is in certain U.S.-regulated investment businesses) and has not been purchased for the purpose of influencing control. This reporting requirement is triggered by direct or indirect acquisition of beneficial ownership of more than 5% of a class of equity securities publicly traded in the U.S. Amendments must be filed annually if there are any changes, and either monthly (for U.S.-regulated investment businesses) or promptly (for other passive clients/investors) if ownership changes by more than 5% of the class. The report is filed with the SEC and is publicly available.

Every director, officer or owner of more than 10% of a class of equity securities of a domestic public company must file a statement of ownership as follows:

Form 3 - Initial Filing (triggered by acquisition of more than 10% of the equity securities of a domestic public company, the reporting person becoming a director or officer, or the equity securities becoming publicly traded, as applicable)

Form 4 - Changes to the Initial Filing (triggered by any open market purchase, sale, or an exercise of options of those securities reported under Form 3)

Form 5 - Annual Statement of Beneficial Ownership (required annually for those insiders who have had exempt

transactions and have not reported them previously on a Form 4)

7.2 Registered and Unregistered Institutional Investment Managers

Form 13F is a quarterly position report that must be filed by registered and unregistered institutional investment managers (i.e., any person, other than a natural person, investing in or buying and selling securities for its own account, and any person exercising investment discretion with respect to the account of any other person) with investment discretion over $100 million or more in equity securities publicly traded in the U.S. Form 13 F Reports contain position information about the discretionarily managed equity securities. The requirement to file applies to any institutional investor who holds equity securities having an aggregate fair market value of at least $100 million on the last trading day of a calendar year. For qualifying managers, the report is required as of the end of that year and for each of the next three quarters. The reports are filed with the SEC and are publicly available.

The Advisor files these report on a quarterly basis, as appropriate.

7.3 Material Associated Persons of Registered Broker-Dealers

Material Associated Persons (MAP) reports, filed by Form 17-H are required to be filed by registered broker-dealers, but also applies to some hedge fund managers to the extent that related persons are affiliated with registered broker-dealers. MAPs generally include material affiliates and parents and may therefore include an affiliated Hedge Fund Manager or the related hedge fund.

The form filing requirement includes the following:

1. Organizational chart of the broker-dealer
2. Risk management policies of the broker-dealer
3. Material legal proceedings
4. Additional financial information, including aggregate positions, borrowing and off-balance sheet risk for each MAP

This report is filed with the SEC quarterly and cumulatively at year end and is not public.

7.4 Procedures for Compliance with Regulatory Filing Requirements

The CCO shall determine which of the regulatory filings must be made by the Adviser and shall assign data collection and reporting duties accordingly to ensure timely filings are made.

8 NEW ISSUES

Restrictions on trading new issues are set forth by the SEC in Regulation M and by FINRA in Rule 2790. While most investment advisers are not also broker-dealers, FINRA rules may apply to activities conducted by the Adviser directly or indirectly, and therefore will be briefly discussed in this chapter.

New issues are defined by FINRA Rule 2790 (the 'rule") as any initial public offering of an equity security, as defined in Section 3(a)(11) of the Securities Exchange Act of 1934, made pursuant to a registration statement or offering circular. The rule does not apply several types of offerings including secondary offerings or offerings of convertible or preferred securities.

In late 1996, the SEC passed Regulation M which generally prohibits participants in the distribution of an offering (such as underwriters, broker-dealers, and others) or any other affiliate from purchasing or bidding certain securities during an initial offering. This condition of Regulation M would affect the Adviser if its clients or affiliates include broker-dealer(s) and if it elected to purchase securities for these or other clients during or immediately before such offerings.

The Regulation also prohibits covering a short sale with securities obtained in a public offering if the sale occurred within 5 business days before the pricing of the public offering. The SEC has enforced compliance with this condition of the Regulation over investment advisers in its jurisdiction.

Because contingent liability may inure to the Adviser, the Adviser should be cognizant of the terms and conditions of Regulation M and of prevailing FINRA regulations related to new issues that may affect or be affected by its clients and/or affiliates.

8.1 Procedures for Compliance with New Issues

The Advisor does not typically engage in the trading of new issues. However, in the event that firm should choose to deal with new issues, the CCO will oversee trading in new issues to ensure that each is properly and separately allocated to a new issues account(s) at the custodian. To ensure compliance, each new issue transaction shall be specially designated as such on the Adviser's trade blotter or order ticket. Further attribution of the shares shall be supervised by the CCO.

9 GIFTS AND ENTERTAINMENT

The purpose of the policies regarding gifts and entertainment is to uphold the Adviser's fiduciary responsibility to place the interests of clients ahead of its own and to avoid any actual or potential conflicts of interest. As such, it is important that employees are careful to avoid improperly influencing others or being improperly influenced by others. Gifts and entertainment offered or received as typical courtesies are completely acceptable so long as they are not so substantial or repetitive as to have the potential to improperly influence business decisions of either party.

Giving or receiving any gift of more than nominal value (defined as $100 per year) in connection with business is prohibited. Value and not actual cost is the determining factor in arriving at this limit. Gifts are considered in aggregate whether or not they were conferred by the same or different people at the Adviser or the other (recipient) firm or party. No gifts of cash or cash equivalents are permitted under any circumstances.

No associated person or member of an associated person's immediate family may give or receive any gift of more than nominal value to or from any person or entity in relation to the business.

9.1 Procedures for Gifts and Entertainment

The CCO is the principal charged with responsibility for the Adviser's Gift and Entertainment policies.

All associated persons are to report any gifts given or received on a quarterly basis by the tenth day of the month following the end of the calendar quarter. Gifts received by the Advisor are to be reported directly to the CCO, who will maintain a log of such items.

Full procedures regarding Business Entertainment may be found in the Adviser's Code of Ethics, which is part of the manual.

10 TRADING

The Adviser's trading policies include allocation procedures, best execution guidelines, resolution of trade errors, treatment of soft dollars and other issues.

The Adviser seeks in its trading practices to be fair and equitable to customers and applies an allocation system that is reasonable and that does not favor one class of client/investor over another.

Order executions are periodically tested to ensure that the Advisor has met its obligation to seek best execution.

10.1 Aggregation of Orders

A no-action letter provided in the matter of SMC Capital in 1995 established the acceptable parameters for aggregation of orders under specific circumstances. In the SMC Capital, Inc. No-Action letter, the SEC indicated that aggregation of client orders would not violate the anti-fraud provisions of Section 206 of the Advisers Act provided the Adviser in question fully disclosed its allocation practices in Form ADV and separately to existing clients. Notwithstanding this, the Adviser remains subject to its established policies, which require that no advisory account is favored over any other account.

Specifically, the Adviser will not favor any performance-based or other client accounts with "hot issues" or allocate profitable trades at each day's end so as to disproportionately favor certain clients without appropriate disclosure. Certain managed accounts or funds may have investment restrictions that differ from those of other accounts managed by the Adviser. As a result, certain managed accounts may not participate in all trades.

The Adviser will endeavor to make all investment allocations in a manner that it considers to be the most equitable to all accounts.

Aggregation, or "bunched" orders, will be transacted under the following circumstances:

- The Adviser will ensure that its authority for each account included in the aggregated order allows for aggregation.
- The Adviser will ensure that adequate and full disclosure of its allocation and bunching practices has been made prior to the transaction.
- Aggregate transactions will not be executed unless the intended and resultant aggregation is consistent with its duty to seek best execution and any terms found in the Adviser's written policies.
- Aggregated orders filled in their entirety will be allocated among clients/investors, accounts or funds in accordance with policies created prior to the execution of the transaction(s); partially filled orders will be allocated pro-rata based on these policies.
- Client/Investor funds held collectively for the purpose of completing the transaction will not be held in this commingled manner for any longer than is practical to settle the transaction.
- Each client/investor, account or fund that participates in an aggregated order will participate at the average share price for all transactions made to fill the order, with transaction costs shared pro-rata based on each client/investor's, account's or fund's participation in the transaction.
- Investments resulting from any aggregated order will be consistent with the specific investment objective(s) of each client/investor, account or fund as detailed in any written agreements.
- No additional compensation will result from the proposed allocation.
- No client/investor, account or fund will be favored over any other client/investor, account or fund as a result of the allocation.
- Pre-existing policies specifying the manner in which clients and accounts will be selected and the method of allocation to be used are required. Should the actual allocation differ from these policies, such trade will only be settled with the approval of the CCO or another appropriately qualified and authorized principal of the Adviser.

The Adviser's policy is to use the allocation methodology executed by means of its custodians' proprietary software, a copy of which is retained in the Advisor's compliance files. The custodians' methodologies are based upon the general principle that:

- Securities being acquired are allocated based upon the size of assets of each account.
- Securities being sold are allocated in proportion to the total size of each account's position in that security.
- The price of the securities allocated shall be at the average share price for all transactions made to fill the order, with all transaction costs shared on a pro rata basis.

A limited exception may be made for trades involving fixed-income securities which trade more efficiently in standard increments, such as 5 or 10 bonds. The general principle for the allocation of buys and sells remains as stated above, but the portfolio manager will have discretion to round the allocation for each account up or down to meet the 5 or 10 bond increment, subject to final review and approval by the CCO or designee.

Client accounts are, with limited exceptions, associated with one or more model portfolios created by the Adviser. Each model contains a defined goal percentage for each security in the model. When a model is processed, the software will attempt to bring each account's holdings of a security in line with the goal percentage, using available cash in that account. The resulting block buys are spread among the model's participants according to their percentage of total available cash allocated to that position by the software's balancing process. Block sells are spread among the model's participants according to their percentage of the total number of shares after first selling all long positions for terminating and transferring accounts.

Limited exceptions may be made for certain trades involving fixed-income securities:

- Fixed income securities often trade more efficiently in standard increments, such as 5 or 10 bonds. In trades involving fixed-income securities, the portfolio manager

It is the Adviser's policy that allocations will be made based upon these principles.

The Adviser uses multiple portfolio managers implementing a diverse array of investment and trading strategies. As a consequence, in some instances, more than one strategy may contain shares of a given security. The firm will seek to coordinate trading of any given security in such instances in which the size of an order is sufficient to potentially move the market, but managers may otherwise independently trade a given security on a given day without direct coordination or aggregation of their respective orders so long as no client or class of clients is favored over another. It will be the responsibility of the Chief Compliance Officer or his designee to monitor such independent trading of a given security.

Block sales processed for the purpose of distributions or individual account model reallocations may be processed randomly throughout the trading day without aggregation of all sales of a given security in the course of the day. Trades will be executed in such groupings as may be operationally efficient, so long as there is at the time of the trade no identifiable or material disadvantage to any client. These trades will typically be in smaller lots unlikely to affect market pricing; their timing and ordering will be purely at random and thus not be made in such a manner as to favor any client over another. Each client that participates in such an aggregated order will participate at the average share price for all transactions made to fill that order.

For orders that are not completely filled, the Compliance Officer will retain a separate record of the block trade showing the individual transactions for each client. The Compliance Officer will spot check these transactions on a periodic basis to confirm that the allocations being implemented by the custodians' proprietary software is

consistently achieving the Advisor's allocation policy.

10.2 Best Execution

The Adviser's fiduciary duty includes an obligation to seek best execution. This is accomplished through a regular and thorough assessment of execution quality to ensure that each customer order is executed (1) in a timely manner, and (2) at the best available price. At the same time, consideration must be given to the fact that price is not the sole basis for determining execution quality. Additional attention must be addressed to the client's total cost or proceeds in each transaction along with consideration of the full range and quality of a broker's services including the execution capability, commission rate, financial responsibility, and general responsiveness to the specific needs of the Adviser and its system for managing client portfolios.

It is important to note that assessment of best execution in terms of price may require consideration of other factors, including:

- Character of the market (e.g. price, volatility, relative liquidity, and pressure on available communications)
- Number of primary markets checked
- Occasion and accessibility of the broker/dealer to primary markets
- Size and type of transaction

In order to track best execution in terms of price and timeliness, random trades will be spot checked by the CCO on a quarterly basis by tracking and comparing time and sales data drawn from the Advisor's quote service at the time the orders were placed against the actual price and timeliness of execution as illustrated on trade reports. Records of these reviews will be retained in the Best Execution file for documentation.

In addition, execution quality reports generated by and for pertinent custodians will be reviewed on a quarterly basis for quality and consistency of execution relative to industrywide execution data. These reports will be retained for documentation.

Qualitative reviews will consider the pricing and terms in the Adviser's agreement(s) with its custodian(s), including commissions, ticket charges, custody fees, and any other expenses. Additionally, these reviews will give consideration to the full range and quality of advisory services in the context of the custodian(s), including their financial soundness, responsiveness to the needs of the Adviser, and ability to efficiently accommodate the Adviser's particular client and portfolio management processes. A comparison of these factors with the capabilities of a carefully selected alternate custodian or custodians will be conducted by the CCO at reasonable intervals and documented in the same manner as above.

10.3 Trade Errors

The Adviser's handling of trade errors must be conducted in a manner that does not disadvantage the client, irrespective of the cause of the error.

- All trade errors are to be immediately reported to the Portfolio Manager and the CCO for investigation and evaluation.
- In no event shall an employee of the Adviser resolve a trade error without the approval of a senior principal or other supervisor.
- Soft dollars may not be used to pay for resolving the Adviser's trade errors, nor will errors be resolved by the Adviser purchasing securities directly from a client's account.
- Trades may not be unfairly allocated to another client's account.
- Documentation of any trade errors and the steps taken to resolve them will initialed by the CCO and maintained in the Trade Errors file. Documentation will include when the error occurred, the nature of the

error, cause of the error and who was responsible, resolution of the error, and date of resolution
- In all instances, these steps be taken expeditiously and fairly and will serve to assure that the client is made whole in every respect.

To ensure compliance with the Adviser's trade error policies, the CCO will conduct or will instruct another qualified party to conduct a review of trade errors. The review shall include a review of 'broken' or 'dk' trades and may be based on records generated internally as well as those available through independent third parties such as the Adviser's custodian(s).

10.4 Agency Cross Transactions

The SEC imposes specific regulations for transactions in which the Adviser (or any entity it controls or is under common control of) acts as broker on both sides of a transaction ("agency cross transaction").

Under SEC Rule 206(3)-2 an agency cross may only be performed if the Adviser meets the following requirements:

- The Adviser makes disclosure that it will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding both parties to any such transaction.
- After making such disclosure, the Adviser has in place an executed contract with the client/investor specifically authorizing the Adviser to effect agency cross transactions (special conditions apply if the purchase represents participation in a distribution or if a sale is related to a tender offer).
- The Adviser provides an annual (or more frequent) written disclosure statement identifying the total number of cross transactions since the last such statement.
- The Adviser includes a prominent disclosure statement with each other written disclosure regarding agency cross transactions that the consent may be revoked at any time by written notice to the Adviser.
- No such agency cross transaction may be entered into in which the Adviser and any other Adviser under common control with or controlled by the Adviser represents both sides of the transaction.
- In addition to the above, in respect to agency cross transactions as for all transactions recommended by, engaged in or otherwise authorized by the Adviser, the Adviser must always act in the best interests of the client/fund/fund investor.

The Adviser does not currently engage in agency cross transactions.

10.5 Procedures for Compliance With Trading Policies

The CCO is the individual charged with responsibility for implementation, monitoring and retention of documentation related to the Adviser's trading policies.

It is unlawful for any investment adviser to act as principal for its own account, to knowingly sell any security to or purchase any security from a client, or, acting as a broker for a person other than such client, knowingly to effect any sale or purchase any security for the account of such client, without disclosing to such client in writing the capacity in which the adviser is acting and obtaining the client's consent to the transaction prior to the completion of the transaction, among other requirements.

In the event the Adviser elected to engage in any principal trade, the following procedures would be followed:

- Make written disclosure to the client of the capacity in which the Advisor is acting and any potential conflicts of interest prior to the transaction
- Obtain the client's consent to the transaction prior to the completion of the transaction
- Send to each such client a written confirmation at or before the completion of each such transaction that includes specific information

11 PROTECTION OF NONPUBLIC CUSTOMER DATA

11.1 Regulation S-P

The Securities and Exchange Commission passed Regulation S-P in June of 2000, implementing privacy rules among affiliated and non-affiliated financial institutions, in response to the Gramm-Leach-Bliley Act ("GLB"), which passed in November of 1999. Since the passage of Regulation S-P, states and other government agencies have enacted laws and regulations governing the protection of client/investor nonpublic data.

The Adviser is required to adhere to the privacy laws and regulations in each and every state in which it has clients/investors. Regulation S-P is binding on all federally-covered investment advisers. Regulations of the Federal Trade Commission (similar to Regulation S-P) and other state laws are applicable to state covered investment advisers and govern the sharing of client/investor information. (The California Financial Information Privacy Act governs client/investor information sharing and applies to investment advisers with Californian clients/investors.).

11.1.1 Affiliate

Commented [GW2]:

An Affiliate is any company that controls, is controlled by, or is under common control with the Adviser.

11.1.2 Clear and Conspicuous

Clear and conspicuous means that a privacy policy notice must be designed to call attention to the information contained in the notice, and that the notice must be reasonably understandable. This means that the typeface and size must be large enough to be easily read, and of such a design that will illustrate the significance of the disclosure.

11.1.3 Consumer

A consumer is an individual who obtains financial products or services that are to be used primarily for personal, family, or household purposes. The legal representative(s) of the consumer are included in the definition. Financial products and services include the investments themselves and those evaluations or analyses that led to the investment.

Consumers are not any of the following persons:

- Individuals who provide only a name, address, or other general contact information for the purpose of obtaining information, such as a response request
- Individuals who have accounts with the Adviser solely for the purpose of executing a transaction, such as those accounts cleared through the Adviser by an introducing broker-dealer or contracted broker-dealer
- Individuals who have accounts or engage in transactions with the Adviser solely due to agent or service contracts
- Other individuals who are not directly defined as consumers of the Adviser

11.1.4 Continuing Relationship

A continuing relationship is one in which there is an ongoing association with the Adviser. This will include:

- an individual who has an account with an introducing broker that clears through a clearing firm on a fully disclosed basis;
- an individual who is the recorded owner of securities;

- any individual with whom the Adviser has had one transaction but with whom the Adviser expects to develop an ongoing relationship, and future, subsequent transactions;
- any individual who has contracted with the Adviser for continuous and ongoing investment services, or investment supervisory services.

A continuing relationship is not established in cases where there is a stand-alone transaction that is not expected to result in future transactions.

11.1.5 Customer

A customer is an individual or consumer who has a "customer relationship" with the Adviser.

11.1.6 Customer Relationship

A customer relationship is a continuing relationship between the individual and the Adviser in which the Adviser provides a financial or investment product or service that is to be used primarily for personal, family or household purposes.

11.1.7 Nonpublic Personal Information

Nonpublic personal information is essentially that information obtained or collected by the Adviser that is personally identifiable financial information. The definition includes lists, groups, or other categories that have been created or derived on the basis of individual or household nonpublic information. For instance, a list of names derived from specific account numbers is nonpublic personal information.

11.1.8 Personally Identifiable Financial Information

Personally identifiable financial information is that information provided to the Adviser by the individual that results in a transaction with the consumer, that results in the provision of any service to the consumer, and/or is obtained by the Adviser through the use of account applications, client/investor profiles or questionnaires, or through other means.

11.1.9 Publicly Available Information

Publicly Available Information is that which the Adviser may reasonably believe is available to the general public (1) legally through federal, state, or local governments; or (2) broadly through public media such as phone books, web listings, or newspapers.

11.2 Consumers & Customers

Regulation S-P draws distinctions between customers and consumers, requiring different levels of protection to each. Entities covered by the regulation must provide customers with notice about the entity's privacy policies, and must give consumers a method to opt out of any sharing practices by giving reasonable notice.

Under the Regulation, a consumer is an individual who obtains financial products or services to be used primarily for personal purposes. Products and services can include evaluations of information, in addition to the product or service itself. By contrast, a customer is a consumer with a continuing relationship with the entity to obtain the services of a consumer. Therefore, all customers are also consumers.

11.3 Notification Requirement

Regulation S-P requires that notice of the privacy policies of the Adviser be given to consumers and customers initially and annually.

11.3.1 Initial Notice

The initial notice must be clear and conspicuous in the manner in which it presents the Adviser's privacy policy.

For customers, initial notice must be provided at or before the point when a customer relationship is established. Conditions exist to allow notice within a reasonable time frame for such instances as an account transfer or telephone order, when the notice requirements may interfere with the transaction itself.

Initial notice to consumers is only required if the entity intends to share nonpublic information with a non-affiliated third party. An abbreviated form of the privacy policy may be created and distributed for use with consumers.

11.3.2 Annual Notice

During each 12 month period in which an ongoing client/investor relationship exists, an investment adviser must provide a subsequent notice of the Adviser's privacy policy to all customers. If there is a change in the privacy policy, notice must be given to all customers whose information may be affected by the change.

11.3.3 Content of Notice

Privacy policy notices must contain specific information, including:

- Types of nonpublic information collected by the entity, including the names of forms on which the information is collected
- Categories of nonpublic information shared by the entity, including the same for former customers
- Categories of affiliated and non-affiliated third parties to whom information is disclosed/shared by the entity
- Separate disclosure is required for any servicing or joint marketing agreements, including the categories of information and of the third parties involved
- Notice of opt out rights available to customers, which must adhere to the regulation's standard of "reasonable" and/or any state regulation regarding the sharing of information
- General disclosures regarding the policies of the entity to protect and secure confidential information
- Disclosure regarding shared information among affiliated parties as defined by the SEC and/or the state(s) in which the Adviser is registered
- Statement(s) regarding allowed third party sharing relationships, such as those conducted under the transactional exemption or others

11.3.4 Privacy Policies

Access to the completed documents and client/investor files must be restricted to following persons:

- Only those associated persons who are required by their job function to access this information
- Applicable staff, such as individuals in Management or Compliance Departments in cases where the information is requested to resolve a customer dispute
- Management and Compliance personnel in cases where such information is requested by a regulatory agency
- Others only as specifically permitted by the CCO

11.3.5 Customer Information

The Adviser collects and records client/investor information on the following types of forms that contain personal and financial data:

- Client/Investor Profiles
- Account Applications
- Client/Investor Questionnaires
- Subscription Documents
- Trust, Organizational records, and other documents used to conduct due diligence, among other purposes
- Other internal documentation

Because this data contains nonpublic client/investor information, it is subject to every available protection under these policies.

11.3.6 California Residents

The California Financial Information Privacy Act (the "Privacy Act") provides for more stringent consumer protection provisions than are available under federal law. The Privacy Act took effect on July 1, 2004 and applies to all Advisers with customers who are California residents.

Relevant provisions that apply to California customers include the following:

- An investment adviser cannot share nonpublic personal client/investor information with a non-affiliated third party without first obtaining explicit written client/investor consent.
- An investment adviser cannot share nonpublic personal client/investor information with an affiliate unless the Adviser clearly and conspicuously notifies the client/investor annually in writing that the information may be disclosed, gives the client/investor the opportunity to refuse permission and the client/investor does not opt out. An investment adviser with assets in excess of $25 million must include a self-addressed stamped return envelope with each annual notice. An investment adviser with assets of up to $25 million need only enclose a self-addressed return envelope.

An investment adviser may share nonpublic personal client/investor information with a nonaffiliated financial institution in order to jointly offer a financial product or service if:

- the financial product or service is provided by one of the institutions as part of a written agreement;
- the financial product or service is jointly offered, endorsed, or sponsored and, clearly and conspicuously identifies for the client/investor the Advisers that disclosed and received the disclosed information;
- the written agreement requires that the receiving institution maintain the confidentiality of the information and disclose it only for the purpose of carrying out the terms of the joint offering;
- the client/investor has not prohibited the disclosure of the nonpublic personal information.

Advisers with wholly owned subsidiaries or firms with the same ownership structure might share nonpublic personal client/investor information if all of the following conditions are met:

- The Advisers are regulated by the same functional regulator.
- The Adviser disclosing the nonpublic personal client/investor information and the Adviser receiving it are both principally engaged in the same line of business (insurance, banking or securities only).
- Both the disclosing firm and the receiving firm share a common brand.

Examples of standard exceptions to the Privacy Act disclosure requirements include allowing disclosure of nonpublic client/investor information in such circumstances as to complete a transaction authorized by the client/investor; to prevent actual or potential fraud, identity theft, or unauthorized transactions; to resolve client/investor disputes or inquiries; or as required by law.

An investment adviser is required to comply with any client/investor directions on sharing his or her nonpublic personal information within 45 days of receipt. No written notice is required if an investment adviser does not disclose nonpublic personal client/investor information except as allowed under the exceptions to the Privacy Act.

11.4 Procedures for Compliance with Regulation S-P

The CCO is charged with responsibility for the Adviser's privacy policies and procedures designed to protect nonpublic client/investor data, including consumer reports, from unauthorized access.

In its efforts to ensure that such data will be secure from unauthorized access, the Adviser mandates that each associated person observe its procedures and respect the privacy of nonpublic data by carrying out his or her

specific duties with care. Included in the duties of certain associates with access to nonpublic data is a high degree of responsibility in maintaining the privacy of that data.

The Adviser strictly prohibits any individual whose job duties do not require access to nonpublic client/investor data from any attempt to procure nonpublic information about any client/investor or group of clients/investors.

The privacy of personal client information of all types will be protected using physical, electronic, and procedural safeguards.

Rooms and/or file cabinets containing client records, and rooms with any computers housing personal client information, will be monitored or locked during business hours and will be locked at the end of each business day. Access to clients' records will be allowed only by supervisory personnel, administrative personnel who are directly responsible for the Advisor's maintenance and servicing of accounts, and, on an as-needed basis, other associated persons who need access to specific files to effectively perform their functions in servicing accounts. Any paperwork or documents of any type containing non-public client or employee information will be disposed of by shredding. Electronic information will be destroyed at the source or erased so that the information cannot be practicably read or reconstructed.

Electronic access to client information is password protected under a system monitored by the Chief Information Officer. Each representative is provided access only to their personal clients under a login protocol that requires them to reset their assigned password to a new password known only to them. Supervisory and administrative personnel are provided general access in conjunction with their broad supervisory, maintenance, and/or servicing responsibilities. Upon termination, or at any time in which job functions are reassigned and access to nonpublic information is no longer required of any employee, the password assigned to that individual shall be terminated.

Access to the Advisor's servers is protected by firewalls, and encryption technology is employed to protect wireless transmissions. No new technologies will be implemented without assessment and confirmation by the responsible personnel, in communication with the Compliance Officer, that they are appropriately capable of safeguarding client information.

In the event of outsourcing arrangements that provide outside parties with access to non-public information regarding clients or employees, the Compliance Officer or his/her designee will be responsible for verifying that the outsourcing firm has procedures to maintain the confidentiality and security of all non-public information. Signed documentation of review and approval will be retained in the compliance files. Any performance problems, customer complaints, or other red flags identified relating to the outsourcing firm will be investigated by the Compliance Officer and addressed to his or her satisfaction, with full consideration for the requirement of confidentiality and security in handling any non-public information. Remedies may include strengthened agreements, enhance monitoring, probation, and/or termination of the relationship, at the discretion of the Compliance Officer. In the event of termination, the Compliance Officer will monitor the recovery of all information entrusted to the outsourcing firm and will pursue any necessary remedies, including legal action, if information is not fully and promptly returned.

Verity Asset Management will not permit the disclosure of any nonpublic personal information about its clients or former clients to anyone, except as permitted or required by law. As such, information may be shared within the Verity Group of companies to the extent allowable by law (including Verity Investments, Inc. and Verity Financial Group) in the interest of better serving clients and offering them selected products and services. Where permitted, information may also be disclosed to companies with which we have joint marketing agreements, companies that help us conduct our business, and companies that perform administrative or other services on our behalf. Verity Asset Management will not sell personal information to any third parties.

Except as noted above, we will not release any nonpublic personal information to anyone other than the client or

someone authorized by the client in writing to receive such information. Information may only be released to clients by their assigned representative, supervisory personnel, and administrative personnel authorized to act in a servicing capacity. If someone claiming to be a client requests information from an authorized person who does not know the client personally, the authorized person will obtain sufficient identifying information, such as a social security number and other personal information, to satisfy themselves that the individual requesting information is indeed the client or his/her authorized representative. (It should be noted that account information may not be released even to a spouse without the client's written authorization.)

All associated persons are to notify the Compliance Officer and/or the Financial Operations Principal in the event of any indication of a possible breach in security of non-public information or suspicious attempts to obtain client information. In the event of a breach or indication of a potentially impending breach in security of client information, the Advisor will, under the supervision of the Compliance Officer:

- Take immediate action to secure information from further access.
- Preserve and review files or programs that may reveal how any breach occurred.
- Promptly make a best assessment of the scope of the breach.
- Immediately notify clients in the most prompt and reliable manner feasible if their personal information is subject to a breach that poses material risk of identity theft or related harm.
- Notify the SEC and the FTC if identity theft is suspected.
- Notify law enforcement if the breach appears to potentially involve criminal activity.

Training regarding these privacy procedures will be conducted under the supervision of the Compliance Officer both at the time of hiring of new personnel (as part of their Compliance Orientation, which is documented in their personnel files) and annually as part of the Annual Compliance Meeting.

Any employee violating any of these policies will be subject to disciplinary action.

Testing of these procedures will be conducted annually as part of the Advisor's Supervisory Control Procedures testing process, and modification will be made as warranted.

An initial copy of the Advisor's Privacy Policy is provided to clients with their New Account Application, and an additional copy is provided annually. Any amendments will be communicated to clients promptly.

11.5 Regulation S-ID: Identity Theft Red Flag Program

Background

On April 10, 2013, as required by the Dodd-Frank Act, the U.S. Securities and Exchange Commission (“SEC”) and the Commodity Futures Trading Commission (“CFTC”) adopted a rule for the prevention of identity theft called Regulation S-ID.

The rule requires SEC registrants to comply with Regulation S-ID by establishing and maintaining programs that detect, prevent, and mitigate identity theft if the registrants maintain certain types of accounts known as “covered accounts.” An account would qualify as a “covered account” if it is:

(i) an account that a financial institution or creditor offers or maintains, primarily for personal, family, or household purposes, that involves or is designed to permit multiple payments or transactions; or
(ii) any other account that the financial institution or creditor offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the financial institution or creditor from identity theft, including financial, operational, compliance, reputation, or litigation risks.

The SEC defines an account as a “continuing relationship established by a person with a financial institution or

creditor to obtain a product or service for personal, family, household or business purposes."

11.5.1 Policy

The Advisor has established a written Identity Theft Red Flag Program ("program") designed to detect, prevent and mitigate the risk of identity theft. The elements of the program are as follows:

- Identification of relevant red flags
- Detection of red flags
- Prevention and mitigation of identity theft
- Update and reassessment of the program
- Management oversight
- Employee training
- Annual reporting
- Oversight of vendor agreements

11.5.2 Procedures

A. Identification of relevant red flags

The first step in preventing Identity theft is to instill in employees an awareness and recognition of the possible categories and sources of red flag "triggers" that may alert or assist the Advisor in early detection of identity theft attempts. These include the following:

- Presentations of suspicious documents. (i.e. documents that may appear to have been altered or forged)
- Presentations of suspicious personal identifying information. (e.g. suspicious e-mail or address changes)
- Unusual account withdrawal activity. (e.g. distribution requests or demands that are out of character for the account such as requests for 3rd party wire or ACH withdrawals)
- Unusual account transaction activity. (e.g. requests for large purchases of speculative securities)
- Vendor alerts or notifications. (i.e. warnings received regarding name, social security number or address inconsistencies)
- Customer alerts or notifications. (i.e. warnings from customers regarding possible loss or theft of their data)
- Law enforcement/ regulator alerts or notifications. (i.e. warnings regarding possible loss or theft of customer data)

B. Detection of red flags

The efforts to detect red flags may start with the opening of a new account but should also continue through the entire "life" of the account with the Advisor. The creation of an account will be governed by procedures detailed in the Advisor's Anti-Money Laundering Program. These procedures provide the basis for Verity Asset Management to form a reasonable belief that we know the true identity of each customer that has opened an account and enables the Advisor to gain an understanding of the likely practice and patterns of the customer's activities in their account.

For existing accounts, all customer initiated requests for account transactions or account changes are monitored by the Advisor's designated principals or designee for signs of suspicious or fraudulent activity utilizing the previously identified relevant red flags.

C. Prevention and Mitigation of Identity Theft

The following escalation procedures for noted red flags will be based on several factors including the degree of potential risk to the client and firm relative to any requested transaction as well as the potential heightened

possibility of an account being subject to identity theft. The possible actions and/or responses to be taken by the Advisor are the following:

1. Account monitoring. (e.g. heightened review of all proposed transactions for a minimum three month period)
2. Direct and independent verification of the customer's desired transaction by utilizing previously known contact information. (e.g. telephone contact or overnight Fed-Ex letter sent to Client's address of record to confirm e-mail request)
3. Direct and independent verification of the customer's desired transaction by utilizing an in-person meeting to confirm the customer's identity and validity of the desired transaction.
4. Refusal to execute the transaction in the manner prescribed by the customer. (e.g. Mail check to address of record as an alternative to sending a fed wire)
5. Refusal to execute the transaction with concurrent notice to law enforcement and regulators.

It should be noted that one *or more* of these actions may be taken as a result of a noted red flag. Additionally, all escalation steps must be concurrently communicated to the Advisor's Chief Compliance Officer so that actions and resolutions can be properly documented.

D. Update and Reassessment of the Program

Due to the constantly evolving nature and risk of identity theft, the Advisor must continuously assess various factors to determine if, when, and how to update the Identity Theft Red Flag Program. Some of the factors to be considered are as follows:

- The Advisor's experiences and resolutions with identity theft.
- New or changing methods of identity theft affecting the financial industry.
- New or changing methods to detect, prevent, and mitigate identity theft.
- Changes to the types of accounts offered by the Advisor.
- Changes in the business arrangements affecting the Advisor to include new alliances, acquisitions, mergers or service provider arrangements.

The Chief Compliance Officer will monitor and evaluate the factors listed above.

E. Management Oversight of the Program

The successful implementation and ongoing monitoring of the Advisor's Identity Theft Red Flag program is critical to ensuring that the Advisor continually complies with Regulation S-ID and provides customers with all the protections it affords. Therefore the following controls and responsibilities are in effect:

1. Approval of the Identity Theft Red Flag Program.
2. Assignment of specific responsibility for Program implementation.
3. Review of staff reports regarding firm compliance with Regulation S-ID.
4. Approval of any material updates to the Program to address changing identity theft risks or trends.

The Adviser has designated the Chief Compliance Officer with management oversight of the Program.

F. Employee Training

In order to maximize the effectiveness of the Identity Theft Red Flag Program, the Advisor will ensure that applicable staff members receive both initial and ongoing training. This will be accomplished by a combination of periodic one-on-one and annual group training performed by either the Chief Compliance Officer or his designee. A record of the date, training type, name of presenter, and employee attendance will be recorded and documented for ongoing management oversight.

G. Annual Reporting Obligations

As needed, but at least on an annual basis, the staff members that are involved with developing, implementing, and administering the Program will report to the Chief Compliance Officer any significant identity theft incidents

and recommendations for material changes to the program. If the Chief Compliance Officer is directly handling the key elements of the program, including development and implementation, he or she will maintain a file documenting all pertinent incidents, will notify staff of any changes to the program, and will document review in the Red Flag Identity Theft Program file on an annual basis.

H. Oversight of Service Provider Agreements

The Adviser will take steps to ensure that vendor service providers that perform activities relating to customer accounts do so in manner that is in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of identity theft. Therefore, at least annually, the Adviser will perform the following:

- Document all vendor service providers.
- Identify and document which vendor service providers perform activities relating to our customer accounts.
- Identify and document which vendor service providers perform activities that may present a potential identity theft risk to our customers.
- Request, obtain and review relevant documentation describing the identity theft policies and procedures that our identified vendor service providers have adopted.
- Evaluate the reasonableness of the vendor service providers' identity theft policies and procedures.
- Document the resolution of any identified issues or concerns.

11.6 Cybersecurity

The Advisor has physical, electronic, and procedural safeguards to protect client information and other sensitive company data from cyberattack.

11.6.1 Governance

The Advisor regularly evaluates its cybersecurity risk in coordination with its annual Business Continuity Testing. The evaluation and testing is done by or under the direct supervision of the Vice President / Chief Information Officer. Results of testing are reported to the Chief Compliance Officer and, where pertinent, other members of senior management.

11.6.2 Access

Customer records data is stored and maintain by Readydoc, a cloud based document management company. Each of the custodians used by the Advisor in various capacities also provide electronic access to customer data. For Readydoc and custodial data, the Advisor firm controls access through the issuance of several levels of authorizations based upon roles and responsibilities: in general, advisors have access to customer data for only their personal clients; supervisory, administrative, and operations personnel are provided more general access consistent with their specific roles and responsibilities; and senior management, including senior compliance personnel, will generally have full access to all customer and firm data.

- For Readydoc, access is password protected under a system monitored by the Chief Information Officer, with requirement that each user resets their assigned passwords with a "strong" password known only to them, with a periodic password update cycle applied for access to customer data.
- For data maintained externally by the respective custodians, access is controlled initially by physical compliance approval on application forms and then by password protections under the protocols of each specific custodian.

User access is terminated by a system administrator immediately upon termination of employment or for other reasons which may be deemed prudent by senior management.

Access to servers is protected by a Watchguard appliance firewall from outside intrusion. The Adviser's wireless network is protected through a password protected WPA2 encryption protocol. No new technologies are implemented without assessment and confirmation by the responsible personnel, in communication with the CCO, that they are appropriately capable of safeguarding client information.

Retention of private customer information on laptops and other mobile devices is prohibited.

The email service is provided by Google for Business. Access to the email service directly through a browser interface uses "hyper text transfer protocol secure", or through an Outlook client application that is password protected.

Email spoofing protection is implemented at Google to prevent the occurrence of email personations. Emails identified as such are move to quarantine for handling. Applications such as Constant Contact that intentionally impersonate must be manually released from the quarantine.

11.6.3 Data Loss Prevention

The Adviser backs up its paper records, consisting of client account application and servicing documents, by scanning the incoming documents into electronic format on a daily basis. These electronic records are stored in an online document management system called ReadyDoc.

The Adviser backs up its server-based files daily using Veeam backup software on an enclosed storage array using RAID 5 which allows a single drive failure to be easily swapped out and replaced. The system is configured to maintain between 90 and 120 days of storage. At night, the backups are encrypted and transmitted offsite to CrashPlan PRO cloud servers. All internal Server drives are setup with RAID so that all data is written to 2 drives. Should an internal drive fail, the system can run off of the internal backup RAID drive. Should a double fault scenario occur in which multiple internal drives are impacted, the recovery time from an external backup would be less than 90 minutes. Duplicate copies of all customer account records, if needed, are available through the respective custodians.

The Adviser deploys a single on-site physical server device that runs MS Server 2012 R2 in Hyper-V mode as follows:

Verity0 Virtual Machine
- File Server
- DHCP Server
- Intranet Web Server
- LAN Management

Verity2 Virtual Machine
- Security Server
- Vipre Antivirus

SbServer Virtual Machine
- Previous Server from 2013
- Kept in Offline State
- Kept for local email Exchange contents

The Adviser uses a Watchguard appliance as the Gateway device. It provides the following capabilities:

- Intrusion prevention System (IPS)
    - Preemptive layer of threat protecton from SQL injections, cross-site scripting, and buffer overflows.
    - Continuously evolving signature database
- URL Filtering
    - Malicious site blocking
    - Instant notification on attempts to access blocked content
- Gateway Antivirus
    - Advanced multi-layered threat detection engines to block content at the gateway.
    - Real-time protection against known viruses, trojans, worms, spyware, and rogueware
- VPN Management
- Remote Access Management (RDP port forwarding)

11.6.4 Vendor Management

The Advisor conducts due diligence on all vendors providing outsourcing services, including review of contract terms relating to privacy and data security. The CCO or his/her designee is responsible for verifying that a vendor has procedures to maintain the confidentiality and security of all non-public information. The level of due diligence in regard to cybersecurity issues is based upon the degree to which the vendor's activities impact the security of client data or other sensitive firm data. These vendors are monitored on an ongoing basis, and annual due diligence reviews are documented in their files under the supervision of the CCO.

11.6.5 Training

All personnel are trained in cybersecurity procedures pertinent to their roles at the time of employment and are updated as changes occur. Each year, all personnel, including unregistered operations personnel, are required to attend the Advisor's Annual Compliance Meeting, which includes repetitive training and notices regarding cybersecurity procedures and cautions.

11.6.6 Incident Response

All personnel are to notify the Chief Information Officer or the Chief Compliance Officer in the event of any clear breaches or any suspicious activity. The CIO will take immediate steps to clarify the existence or non-existence of any legitimate concern, will make an assessment of the scope of the situation, and will take appropriate steps to promptly resolve any issues, providing notification to all affected parties as well as all operations and field personnel who can benefit from heightened awareness. Incidents and the steps taken in response will be documented by the CCO.

12 PUBLIC COMMUNICATIONS

The Adviser's communications with the public, which include its advertisements, marketing material, website, social media, and correspondence (both electronic and written) are subject to SEC and State Regulations that require each such communication to be fair, reasonable and balanced. The regulations subject the communications to record-keeping requirements.

Regular and ongoing oversight of the Adviser's communications with the public is a fundamental component of its compliance program.

12.1 Advertisements

The Advertising Rule states that an “advertisement shall include any notice, circular, letter or other written communication addressed to more than one person, or any notice or other announcement in any publication or by radio or television, which offers (1) any analysis, report, or publication concerning securities, or which is to be used in making any determination as to when to buy or sell any security, or which security to buy or sell, or (2) any graph, chart, formula, or other device to be used in making any determination as to when to buy or sell any security, or which security to buy or sell, or (3) any other investment advisory service with regard to securities.

All advertisements developed by or for the Adviser or its promoters, including third parties if applicable, shall be consistent with the provisions of Rule 206(4) of the Investment Advisers Act of 1940, applicable state standards, and other rules. These rules require that no associated person of the Adviser shall publish, circulate, distribute, or otherwise use any advertisement that is incomplete, false, or misleading.

While the definition requires that the material must include an offer of services of some nature, the SEC has broadly interpreted the definition to include the Adviser's brochure, websites, form letters, chat room participation, social networking site communications, materials used to maintain existing client/investor relationships, materials intended to solicit new clients/investors, the Adviser's "pitch book" and other such materials.

12.1.1 Investment Counsel

It is the Adviser's policy not to refer to itself as an "investment counsel" or use the term to describe its business unless the "principal" business of the Adviser is rendering investment advice and a substantial part of the Adviser's business consists of rendering "investment supervisory services" as defined on Form ADV.

12.1.2 "RIA"

In rendering effective licensure for a registered investment adviser and/or its registered agents, the SEC does not approve or endorse the Advisor. Therefore, while an Adviser may represent that it is "registered," the SEC prohibits the use of the term "RIA" on stationery, business cards, or in advertising, as it may imply to the investment community that the individual or firm has achieved approval, endorsement, or other credential. The Adviser may use "registered investment adviser" provided the words are spelled out.

12.1.3 Testimonials

A "testimonial" includes, but is not limited to, a summary of a specific case situation, real or fictional, which may create an inference that all clients/investors of the Adviser typically experience favorable results. Client/Investor surveys conducted by third party service providers are considered by the SEC to be testimonials, but may be used in an advertisement as long as they are consistent with regulatory requirements. These regulatory requirements include but are not limited to requirements that results must represent a valid sample, represent unbiased analysis, and do not favor positive or negative results.

In addition, representative client/investor lists may be testimonials and may only be used if the following conditions are met:

- Criteria for determining which clients/investors are included in the list are not based on performance.
- A statement or statements disclosing the criteria used for determining which clients/investors are used in the list.
- The list includes a disclaimer stating that it is not known whether the clients/investors listed approve or disapprove of the Adviser or the advisory services.

12.1.4 Past Recommendations

The Adviser is prohibited under Rule 206(4)-1 from 'cherry picking', which is generally thought to be the use of any promotional materials that refer to any past profitable recommendations absent specific disclosure regarding all recommendations made by the Adviser. Over time, findings by the SEC have provided for requirements that any such promotion of past profitable recommendation must include a list of ALL recommendations made by the Adviser in the past year. The requirement applies equally to direct and indirect references to past recommendations, but does not apply to advertisements that discuss investments or strategies that were not profitable.

Any advertisement that includes past recommendations wiii include at minimum the name of the security, the date and type of transaction (whether it was a buy or sell recommendation), the market price at the time of the recommendation and the terms of the order (market, limit, etc.). The advertisement will also include a statement that ***it should not be assumed that recommendations made in the future will be profitable or will equal the performance of the listed securities***. This statement will be made with adequate prominence. For instance, the font size of the disclosure will equal or exceed the smallest font in use in other font type on the page.

12.1.5 Performance Data

The SEC has established guidelines for certain types of language and other restrictions regarding what may and may not be included in performance data used for the purpose of marketing the services of an investment adviser. First and foremost, the information must be presented fairly.

Performance advertisements will disclose all material facts so as to avoid unwarranted implications or inferences.

12.1.6 Actual Performance

In the case of the use of actual performance results, the following practices will apply:

- Any representation that hypothetical, or back-tested performance is actual performance is not allowed.
- Assets that are managed at different approved custodians may be included in the Adviser's performance reports; however, it will be made clear to the client/investor that assets are being held with different

custodians due to unique fees and charges that may apply, among other variations.

- Illiquid assets such as non-publicly traded limited partnerships and non-tradeable fixed annuities will not be included in the asset base for performance reporting purposes. The Adviser will take care to justify the liquidity of any asset included in its performance base.
- Any reporting of the size of the Adviser's asset base will be based on accurate data.
- Should the Adviser claim that its performance results are in compliance with the Global Investment Performance Standards (GIPS), it will ensure that the claim can be verified through factual documentary evidence.
- Predecessor returns, such as those that may have been generated under another prior organization, will not be used in a misleading manner.

12.1.7 Composite Performance

The Adviser maintains full procedures for producing performance presentations in a separate document entitled "Performance Procedures", which covers Input Data, Composite Construction, and Calculation Methodology, among other things.

12.1.8 Gross vs. Net Performance Data

The use of gross performance data in presentations and advertising is prohibited except in one-on-one presentations to wealthy individuals, pension funds and other institutions. One-on-one presentations are not clearly defined by the SEC but some guidance is provided through No-Action letters issued by the SEC. In particular, provided the presentation is private and confidential, it can be permitted that more than one prospective client/investor, consultant or other individuals are present. Furthermore, the presentation should be made in such a forum that it is reasonable to expect that attendees will have an opportunity to question the Adviser about the nature, scope and effect of fees on the overall cost structure to the investment, style, or strategy being proposed. Additional information regarding the SEC's position on the use of gross performance in one-on-one presentations can be found in a No-Action letter issued to the Investment Company Institute ("ICI") in the late 1980's and in No-Action relief provided to the Securities Industry Association in a letter dated 1989. In the ICI No-Action letter, the SEC established the parameters for the use of gross performance as requiring that four specific conditions are met:

1. Disclosure that the performance figures do not reflect the deduction of investment advisory fees
2. Disclosure that the client/investor's return will be reduced by the advisory fees and any other expenses it may incur in the management of its advisory account
3. Disclosure to describe where further information regarding fees may be found, such as in Part 2 of the Adviser's Form ADV and/or in the fund offering documents
4. A representative example (e.g., a table, chart, graph, or narrative), which shows the effect an investment advisory fee, compounded over a period of years, could have on the total value of a client/investor's portfolio

Other than in one-on-one presentations conforming to the SEC's No-Action letters, the use of gross performance in advertising is deemed to be misleading. Therefore, in all other instances, performance will be shown net of fees.

Copies of pitch books and/or any other materials prepared using gross performance data for the purpose of one-on-one presentations to prospective institutional clients will be signed by the CCO reflecting approval prior to use and retained in the Advisor's compliance files.

12.1.9 Retention of Performance Documentation

The Adviser will retain all performance advertisements and all supporting documents and information used to form the basis for that performance information for a period of at least five (5) years from the end of the fiscal year in which the material was last used or distributed, the first two (2) years in an easily accessible location. The record of supporting documentation will include records of all materials for the entire reporting period included in any distributed report or advertisement. For instance, if the Adviser distributes its performance for a decade or more, all supporting documentation for the entire period will be retained.

12.1.10 Requests for Proposal

Requests for Proposal are not advertising, as they are completed in connection with a single request for information for a specific investment. Nonetheless, the Adviser wiii address all responsive content within the questionnaire according to the standards of accuracy, fairness, balance and performance reporting applied to advertising materials.

Copies of Requests for Proposal completed by the Advisor, signed by the CCO to reflect his approval, are retained in the compliance files.

12.1.11 Prohibited Advertisements

To meet the standard that its advertising is fair, balanced, and accurate, the Adviser will prohibit the following:

- Materials including the acronym "RIA"
- Testimonial(s) of any kind concerning the investment adviser, or any advice, analysis, report or other services rendered by the Adviser
- Statement(s) of material fact that are false or misleading
- Direct or indirect specific past profitable recommendations absent appropriate disclosure statement and a list of all recommendations made in the most recent year
- Statement(s) that any graph, chart, formula or other device being offered can be used in and of itself by a client/investor to determine what securities should be bought and sold, or that such a device will assist any person in making decisions concerning specific securities transactions

12.2 Correspondence

The Adviser's policies regarding correspondence include the following:

- Prohibition of the use of any stationery, email or server other than those subject to approval and review by the CCO for business related communications
- Prohibition of the use of instant messaging technology that is not specifically provided by the company and subject to review by the CCO
- Prominent disclosure of the name of the Adviser on stationery or in electronic 'tag lines' including contact information for the primary office of the Adviser
- Requirement of prior approval of physical written correspondence with clients
- Subjection of all email correspondence and instant messaging communication to random review by the CCO or his/her designee on a quarterly cycle that includes review of email correspondence of every investment advisory representative at least one period in every calendar year
- Recording of the review of written and electronic communications
- Prohibition of the use any electronic device for business email purposes unless both incoming and outgoing correspondence is captured by the Advisor's email retention system

12.2.1 Electronic Communications

Electronic communications, including communications with the public as well as internal business related communications that fall under Rule 204-2 of the Investment Advisers Act of 1940, require review and retention in similar manner as other types of written communication.

12.2.2 Retention

SEC Rule 204(2) requires that Advisers retain originals of all written communications received and copies of all written communications sent by the Adviser relating to (1) any recommendation made or proposed to be made and any advice given or proposed to be given; (2) any receipt, disbursement or delivery of funds or securities; or (3) the placing or execution of any order to purchase or sell any security: *Provided, however, (a)* that the investment adviser shall not be required to keep any unsolicited market letters and other similar communications of general public distribution not prepared by or for the investment adviser, and *(b)* that if the investment adviser sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory service to more than 10 persons, the investment adviser shall not be required to keep a record of the names and addresses of the persons to whom it was sent; except that if such notice, circular or advertisement is distributed to persons named on any list, the investment adviser shall retain with the copy of such notice, circular or advertisement a memorandum describing the list and the source thereof.

The above referenced advertising and communications along with supporting documentation for the same will be maintained for a period of at least five (5) years, the first two (2) years in an easily accessible location.

12.3 Social Media

12.3.1 Categories of Content

- Interactive Posts – Will be spot reviewed periodically under the supervision of the CCO. (If a post will recommend or promote any product or service, it becomes an advertisement, which is considered Static Content.)
- Static Content – Must be pre-approved by the CCO under the advertising standards covered in Section 12 – Public Communications.

12.3.2 General Guidelines

- All business related participation on social networks such as Twitter, Facebook, and Linked-In fall under the terms of the Social Media Policy. Business communications will be defined as any content pertaining to the Advisor's business in any way, including but not limited to any profiles that list your employer, your job or job title, your work experience, your business related skills, or your professional designations; any offers to receive contacts for consulting, job inquiries, business deals, new ventures, expertise requests, or career opportunities; or any links to business-related groups. The definition of "business communications" is to be interpreted in the broadest possible manner; any uncertainties or "gray area" determinations should be brought to the Chief Compliance Officer for interpretation.
- Use of social media may only be conducted on platforms explicitly approved in writing by the CCO. Even on approved platforms, certain features may be prohibited from use. It is the responsibility of each user to be familiar with these details.
- Testimonials from any source are prohibited – the Linked In "Recommendations" option must be blocked.
- Reference to past specific recommendations is prohibited.
- Statements presented as material facts must be verifiable.

- Biographies or profiles must contain only verifiable information which can be confirmed by the advisor's personnel file.
- Specific performance may not be addressed on these platforms without prior approval.
- Promissory language which cannot be substantiated must be avoided.
- Unsubstantiated claims must be avoided.
- There may be no negative or otherwise disparaging statements about any person or entity.
- To avoid violation of intellectual property rights, copying or paraphrasing the material of others without proper attribution must be avoided.

12.3.3 Privacy / Security

- Login information may not be shared with others, including family.
- Personal client information may not be housed on any site in any manner.
- Privacy policies and concerns apply in the same manner in this medium as in any other.

12.3.4 Approved Platforms

- Linked In is approved for all features except "Recommendations", which is prohibited.
- Twitter may be approved on a case-by-case basis.
- No other platforms are approved at this time.

12.3.5 Monitoring / Archiving

- An archiving service will be used to permanently capture all content, including interactive posts, to permit regulatory review. The Chief Compliance Officer will be responsible for pre-approval of static content and monitoring of interactive content. Interactive content will be spot checked no less than quarterly, with representative content of all covered persons using sites for interactive purposes reviewed at least once annually. Records of these approvals and reviews will be signed and retained in the compliance files or documented in the archiving service(s).
- Each advisor must enroll in the designated archiving service at his or her expense and remain enrolled for the duration of use of any social media platform.

12.3.6 Disciplinary Action

- First offense, if minor and potentially the result of some misinterpretation will normally result in 6 month probation and heightened supervision. If more egregious, in the interpretation and at the discretion of the Chief Compliance Officer, social media privileges may be suspended for 3 months or longer.
- Second offense will result in suspension of privileges for a minimum of 3 months, and potentially longer, at the discretion of the Chief Compliance Officer.
- Third offense will result in suspension of privileges for a minimum of one year, and could incur more severe penalties, including termination, at the discretion of senior management in consultation with the Chief Compliance Officer.

12.4 Procedures for Compliance with Public Communications Requirements

The CCO is charged with responsibility for implementation of procedures, ongoing monitoring, and retention of the Adviser's communications with the public.

The Adviser has charged the CCO with the responsibility and authority to review and approve any and all forms of advertisements in advance of their use. This includes the Advisor's marketing materials, web sites, newsletters, seminar presentations, slide presentations, responses to Requests for Proposal, pitch books, media communications, and any and all other related materials used in presentations whether to one individual or to multiple parties. Evidence of the review and approval in the form of copies signed and dated by the CCO will be retained in the Advertising Files.

Prior review and approval of web site content by the CCO includes review of any new pages, new content within existing pages, and any links to external information.

In regard to the review of communications, the Adviser has implemented a system of review that requires the following:

- All incoming written (paper) communications shall be centrally opened and provided to the CCO for review.
- Outgoing written (paper) communications shall be approved by the CCO in advance of distribution.
- Periodically, associated persons with access to incoming and outgoing paper communications shall be trained regarding the procedures for opening and processing the Adviser's communications.
- Associated persons are prohibited from conducting any e-mail communication or instant messaging communication in the conduct of their business association with the Adviser from any address other than their assigned e-mail address. The use of any electronic device for the purpose of e-mail communication is prohibited unless both incoming and outgoing correspondence is captured by the Advisor's e-mail retention system. All e-mail and instant messaging, including internal correspondence, will be captured and retained on non-rewriteable media for regulatory review. To monitor compliance, e-mail and instant messages to any approved email addresses are subject to random review by the Compliance Officer without obtaining prior approval. The Compliance Officer will spot check e-mail correspondence no less than quarterly on a cycle that results in review of selected correspondence from all representatives no less than annually. Documentation will include registered representative names, the key words and phrases used in searches, and the date searches were conducted. This documentation may be retained either physically in the compliance files or electronically with the Adviser’s email retention system.
- The Advisor's web site(s) and any other web sites approved for use by investment advisor representatives will be reviewed periodically by the CCO to verify that information remains up to date and that the content of any links is not false or misleading.

13 THE FIDUCIARY STANDARD

The Advisers Act laid the groundwork for regulation of investment advisers and helped codify the fiduciary relationship investment advisers have with their advisory clients/investors. This initial groundwork has been refined over the years.

13.1 Antifraud Provisions

Section 206 of the Advisers Act contains an antifraud provision. In Securities and Exchange Commission v. Capital Gains Research Bureau, Inc. the Court recognized in applying the antifraud provision that a fiduciary relationship exists between an investment adviser and their client/investor.

13.2 Fiduciary Duties

In general, the fiduciary duty owed by the Adviser to its clients/investors will guide employees, officers and directors in avoiding conflicts of interest, providing full and fair disclosure of services and fees, and seeking best execution, among many other things.

In clarifying the nature of fiduciary responsibilities, Section 206 states that it is unlawful for any investment adviser, using the mails or any means or instrumentality of interstate commerce, to carry out any of the following:

1. Employ any device, scheme, or artifice to defraud a client/investor or prospective client/investor
2. Engage in any transaction, practice, or course of business which defrauds or deceives a client/investor or prospective client/investor
3. Knowingly sell any security to or purchase any security from a client/investor when acting as principal for his or her own account, or knowingly to effect a purchase or sale of a security for a client/investor's account when also acting as broker for the person on the other side of the transaction, without disclosing to the client/investor in writing before the completion of the transaction the capacity in which the Adviser is acting and obtaining the client/investor's consent to the transaction
4. Engage in fraudulent, deceptive or manipulative practices

13.3 Procedures for Compliance with Fiduciary Requirements

The CCO is the individual charged with monitoring the Adviser's performance of services in the context of its fiduciary duties.

The CCO shall take steps designed to ensure that associated persons perform their job duties and responsibilities within the context of its fiduciary responsibility. Among these, each associated person will be required to complete an annual attestation of compliance. Record of the completion shall be maintained among the Adviser's central compliance files.

Fiduciary Responsibility as Investment Adviser to Defined Contribution Plans

As a financial adviser to a defined contribution plan with responsibility for recommending and monitoring the plan's mutual fund menu, the Advisor will use financial software of its choice to conduct a review of the current funds no less than once per quarter, will provide the resulting data to the plan sponsor or consultant according to the frequency they desire, and will make recommendations for changes to the fund menu as the Advisor deems appropriate based upon its review. Documentation of the reviews and the rationale for any recommendations will be retained in the Advisor's compliance files. The CCO will be responsible for verifying completion of these reports and for retention of documentation.

14 PRICING POLICIES (NAV)

The Adviser has obtained a copy of the pricing procedure followed by its custodian for publicly traded securities, has determined that policy to be sound, and relies upon the custodian in its assigned role in this regard.

All securities not freely marketable ("Restricted Securities") shall be valued at the cost thereof to the client, unless in any case the Adviser, in consultation with the entity's Board of Directors or management, determines that the value thereof is more accurately reflected by an alternative means of valuation (which could result in either a mark-up or mark-down of the securities in question). In the latter event, the Adviser will consider asset, income, and market-based factors either as prepared by representatives of the respective entity or compiled by the Adviser in coming to a sound and reasonable assessment of current value. This policy will be disclosed to clients on Form ADV, Part 2. Documentation of the valuation determination and any supporting documents will be retained in the files for the respective securities. These procedures will be implemented under the supervision of the CCO.

Assessment of Fees

Using the methodology disclosed in each client's Investment Advisory Agreement and/or Form ADV, Part 2, fee calculations will be conducted by the Adviser or the account custodian based upon the valuations established in the manner noted above, and fees will be assessed or billed accordingly under the supervision of the Vice President of Finance and Operations. On a quarterly basis, a representative sampling of accounts will be reviewed under the supervision of the CCO to verify that fees are being calculated and assessed properly.

15 REGULATORY AND INTERNAL INSPECTIONS

Registered investment advisers are subject to the ongoing scrutiny of regulatory agencies, including the states and or the SEC, depending upon the registration status of the entity, and are also likely to be affected by "cause" (client/investor complaint or other investigation examinations). Regulatory examinations may be announced or unannounced.

15.1 Regulatory Inspections Background

The powers granted to the SEC enable it to conduct examinations in the public interest and for the protection of clients/investors whenever it deems appropriate, as often as it deems appropriate, on a regular cycle, or otherwise.

At the onset of an examination, the regulatory representative should present identification to verify the jurisdiction that the individual represents. Questions regarding the legitimacy of the individual should be directed to the state or regional office to which the individual reports. Verification of the identification is important to ensure that nonpublic client/investor data will not be revealed to or shared with unqualified persons.

15.2 Regulatory Exam Topics

The regulatory exam will likely open with an interview to discuss the primary business systems of the Adviser, and its internal controls. The Adviser should be prepared to discuss several topics (with supporting documentation ready at hand) that may include:

- Consistency of portfolio management decisions with clients/investors' mandates
- Order placement practices consistent with seeking best execution and disclosures made to clients/investors and funds' boards
- Allocation of block and IPO trades
- Personal trading of access persons consistent with the Advisor's code of ethics
- Accurate securities pricing and net-asset values
- Regular reconciliation of custodian records with fund and Adviser records
- Controls over information
- Calculations and presentations of performance
- Accurate reconciliations of shareholder transactions

15.3 Internal Inspection

SEC Rule 206(4)-7, effective February 2004, requires that Advisers conduct an annual review of their policies and procedures to ensure their effective implementation.

The Adviser's annual review is designed to evaluate the efficacy of its supervisory system, and to test its record keeping and internal controls. In addition to a review of Written Supervisory Procedures, it will consider, at minimum, any compliance or disciplinary matters that arose throughout the year, any new business areas of changes in the business of the Adviser or its affiliates, and any regulatory updates or changes that may affect the Adviser's operations, administration, compliance or other business division.

A written record shall be maintained to record the annual review. The record will include a summary of the topics reviewed as well as plans or proposals for any relevant corrective action. The CCO will document and oversee all corrective actions. Upon completion, the CCO shall present a report of the annual review to senior management.

16 PROXY VOTING

In 2003, the SEC adopted Rule 206(4)-6 and rule amendments under the Act that address an investment adviser's fiduciary obligation to its clients/investors when the Adviser has authority to vote their proxies. Rule 206(4)-6 requires that an investment adviser with such authority satisfy three general requirements:

- Adopt and implement written proxy voting policies and procedures reasonably designed to ensure that Adviser votes client/investor and fund securities in the best interests of clients and fund investors and addressing how conflicts of interest shall be handled
- Disclose its proxy voting policies and procedures to clients and fund investors and furnish clients and fund investors with a copy of the policies and procedures if they request it, and inform clients and fund investors as to how they can obtain information from the Adviser regarding the manner in which proxies on their securities were voted
- Maintain records as evidence of compliance with Rule 206(4)-6

The Adviser's proxy voting policies must be reasonably designed to ensure that individuals charged with voting responsibilities carry out those duties with the best interest of the clients/investors in mind. According to SEC guidance, the policies and procedures should include:

- Factors used in determining whether or not the Adviser will vote proxies
- Specific methodologies applied in voting proxies (such as actions to be taken in the case of proposed changes in corporate governance, compensation or stock option plans, expansion of investment authority, tender offers and related matters)
- Identifying and addressing material conflicts of interest
- Names/roles of personnel charged with proxy voting procedures ranging from decision-making to record-keeping, among other associated roles and responsibilities

The Adviser is required to disclose how a client/investor can obtain a copy of the Adviser's proxy voting policy, and how the client/investor can obtain information on how its securities were voted.

Proxy voting records that must be maintained include:

- Written policies and procedures
- Proxy statements received for client/investor and/or fund securities
- Records of proxy votes cast for clients/investors/fund securities, including any material supporting documentation relied upon in the process
- Record of the disclosure to clients/investors of the Adviser's policies and access to voting decisions, including client/investor requests to view the Adviser's proxy policies or proxy voting record, and theAdviser's response

16.1 Procedures for Compliance with Proxy Voting Requirements

The Adviser does not vote proxies on behalf of advisory clients.

17 Soft Dollars

Soft dollar arrangements have developed as a link between the brokerage industry's supply of research and the money management industry's demand for research. Brokerage firms typically provide a bundle of services including research and execution of transactions. The research and brokerage provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by the broker-dealer). Because commission dollars pay for the entire bundle of services, the practice of allocating certain of these dollars to pay for the research component has come to be called "softing" or "soft dollars".

Section 28(e) of the Investment Advisors Act of 1940 ("The Act") provides a safe harbor that protects an investment adviser who uses soft dollars to obtain from or through a BD research and brokerage services and discloses such use, from charges of breach of fiduciary duty for failing to obtain the lowest available commission rate. Research is generally defined as a product or service that provides lawful and appropriate assistance to a money manager in making investment decisions. Essentially, soft dollar payments made directly to *bonafide* research or other soft dollar vendors, payments for only research related expenses, and payments not made to reimburse an Adviser for previously paid expenses would likely fall within the safe harbor of Section 28(e). There is no safe harbor for expenses that do not fall into these categories.

The test for determining whether an Adviser's payment for a product or service falls within the safe harbor involves three steps according to the SEC:

- Determine whether the product or service is eligible "research" or eligible "brokerage"
- Determine whether the eligible product or service actually provides lawful and appropriate assistance in the performance of the Adviser's investment decision-making responsibilities
- Make a good faith determination that the amount of client commissions paid is reasonable in light of the value of products or services provided by the broker-dealer

Commented [GW3]:

An individual or firm must exercise "investment discretion" over an account, as defined in *Section 3(a)(35) of the Exchange Act*, in order to use client commissions to obtain research under *Section 28(e) of the Exchange Act ("Section 28(e)").*

17.1 Custom Procedures

The Adviser does not currently have any "soft dollar" arrangements.

Should the Adviser consider such arrangements in the future, the approval process for payments with soft dollars will include the following steps:

- Requests for soft dollar payments are submitted to the CCO or designee that includes the following information, at minimum: (1) Requestor name; (2) date of request; (3) vendor; (4) contact at vendor; (5) hard cost; (6) description of the service or research provided; and (7) whether there is a contract (if yes, attach a copy of the contract)
- In order to decide if the service may be paid with soft dollars, the CCO or designee will consult with the appropriate trading department to determine the capabilities of the relevant broker
- CCO or designee will review contracts for all relevant features and to ensure that no firm commitments are made regarding the actual amounts of commissions that will be generated
- CCO or designee will approve or deny the request for payments with soft dollars after considering the following:

    ♦ Whether the payment for a product or service falls within the safe harbora:

    1. Determine whether the product or service is eligible "research" or eligible "brokerage" using

the guidelines set forth above
2. Determine whether the eligible product or service actually provides lawful and appropriate assistance in the performance of the Adviser's investment decision-making responsibilities
3. Make a good faith determination that the amount of client commissions paid is reasonable in light of the value of products or services provided by the broker-dealer, keeping in mind the Adviser's fiduciary duty to obtain best execution

♦ Factors related to the broker-dealer including:
1. Business reputation and financial position;
2. Ability to consistently execute orders on a cost-effective basis;
3. Provides prompt and accurate execution reports;
4. Prepares timely and accurate confirmations;
5. Promptly delivers securities and cash proceeds;
6. Provides meaningful research services that can be used by the adviser in making investment decisions;
7. Provides other desired and appropriate services.

Mixed Use items are those products or services that may be eligible under the safe harbor as "brokerage or research services," but may also be used by the adviser for other purposes, such as administrative or marketing purposes. For these types of products or services, the CCO or designee will make an allocation of the cost based on an evaluation of the research/brokerage and non-research/brokerage uses of the product or service. The cost of the non-research/brokerage portion of the product or service must be paid using hard dollars. To accomplish the allocation of mixed use items, the CCO or designee will do the following:

- Make a fair and reasonable determination as to how much of the cost may be paid with soft dollars (such determination must be documented, including an explanation of how the computation was reached)
- Reevaluate mixed use items whenever there is a substantial change in their use
- Ensure that the providers of mixed use items either bill the paying broker directly (broker will in turn bill the adviser for the non-research/brokerage portion), or to send separate bills to the adviser and paying broker in appropriate amounts

A retirement or ERISA plan client may direct its account transactions though a specific broker or dealer in order to obtain goods or services on behalf of the plan. ERISA rules allow such direction only if the goods or services provided are (1) reasonable expenses of the plan incurred in the ordinary course of its business (otherwise obligated and authorized to pay); allocation is consistent with the adviser's duty to achieve best execution; and (3) for the exclusive benefit of the plan. Therefore, any plan sponsor that directs plan brokerage must provide the Adviser with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

The Trading Department will generate quarterly reports of commission use for each broker that received commissions on client trades. The report will show year-to-date commissions (including soft dollar commissions) and commission goals, if applicable. The CCO will compare these internal reports to any soft dollar statements provided by the brokers to determine if there are any discrepancies between the services/products provided and those received. The CCO will promptly contact the broker(s) and/or the Trading Department to resolve any such discrepancies.

The CCO is responsible for maintaining the following books and records:

- List of all soft dollar arrangements including such information as amount of soft dollar commitment, soft dollar/hard dollar ratio etc.
- Copies of all soft dollar requests
- Copies of any soft dollar contracts
- Documentation supporting soft dollar/hard dollar computations
- Quarterly reports generated by the Trading Department
- Soft Dollar Statements from brokers

Registered investment advisers must disclose certain information about their brokerage allocation policies to clients in Items 12 and 13 of Part 2 of Form ADV. Specifically, if the value of products, research and services provided to an investment adviser is a factor in selecting brokers to execute client trades, the CCO will ensure that the following is described in the Adviser's Form ADV:

- Products, research and services obtained through the use of soft dollars
- Whether clients may pay commissions higher than those obtainable from other brokers in return for the research, products and services
- Whether research is used to service all accounts or just those accounts paying for it
- Existence of any mixed-use arrangements or in arrangements where research products or services have a mixed use, the Adviser will make a reasonable allocation of the use and pay for the non-research portion with hard dollars
- Any procedures that the adviser used during the last fiscal year to direct client transactions to a particular broker in return for products, research and services received
- Conflicts of interest associated with the use of soft dollars

18 Private Placements

The Adviser may invest client funds in private placements. Due to the illiquid nature typical of these types of securities, expanded procedures are applied in a variety of areas.

18.1 Due Diligence

18.1.1 Due Diligence – General

The Adviser's due diligence responsibilities will be carried out by the Compliance Officer. Investigations will include, but are not limited to, the following basic principles:

1. An appropriate due diligence investigation will be performed for every private placement offering unless the purchase is requested by the client on a non-discretionary basis without prior notice by the Adviser or its associated persons.
2. Such investigations will be custom tailored as to the nature and extent of verifications of data submitted by the issuer, taking into consideration such things as the size of the issuer, availability of public information, issuer's operating and business history, legal structure of issuer, and type of security to be offered.
3. Competent and experienced counsel with regard to due diligence will be obtained and utilized as needed in the judgment of the Compliance Officer, but ultimate responsibility for carrying out due diligence rests with the Advisor.

18.1.2 Due Diligence – Specific

Specific items of due diligence include, but are not limited to, the following:

1. An examination of the company and its industry which may include, among other resources, journals, banks and credit agencies.
2. A review of the corporate charter, by-laws, and corporate minutes.
3. An examination of the issuer's business through a review of factors pertinent to the specific industry, including as examples things such as principal lines of business, manner of distributions, sources of supply, and competitive positions.
4. If the offering is on a contingency basis, the Compliance Officer will comply with SEC Rule 10b-9 by ensuring that the details of the contingency are accurately stated in the offering memorandum. Also in a contingent offering, the Compliance Officer will comply with SEC Rule 15c2-4 by ensuring that an escrow account is established at an independent bank and obtaining a copy of the escrow agreement. The general partner or the issuer will be required to show proof that escrow has been broken either by a copy of the bank statement or correspondence from the bank, as well as evidence that all funds received have cleared and are for bona fide sales.
5. An identification of ‘high risk' areas of the company.

18.1.3 Issuer and Due Diligence Files

Due diligence files or binders will be maintained by the Compliance Officer for each private placement and will contain the following information:

1. A copy of all documents and disclosures related to the offering;
2. Copies of all correspondence with the issuer;
3. Information relating to the due diligence performed by the Advisor;
4. A copy of any executed escrow agreement established by the issuer and its bank; bank documentation indicating proper breaking of escrow (bank correspondence and/or bank statements).
5. A master list of each client whose funds are invested in the offering reflecting the aggregate amount of their commitment and whether the customer is accredited or non-accredited.

The Compliance Officer will sign and retain with the files a Due Diligence checklist and copies of subscription documents as evidence of approval of the offering.

18.2 Suitability

No private placement securities will be purchased on behalf of any investor unless the Compliance Officer has reviewed the investor's financial and investment background, is satisfied that current account information is complete, and has determined that the investment is suitable in light of all relevant factors. The Compliance Officer's signature on the subscription documents indicates that a suitability determination has been made. Among the factors considered by the Compliance Officer are:

1. Transactions inconsistent to the client's investment objectives.
2. Transactions not within the customer's financial resources.
3. Employee and related account transactions versus customer transactions with regard to possible conflicts of interest.
4. Accredited investor status. If an offering permits a limited number of non-accredited investors, the Compliance Officer will coordinate with the issuer throughout the offering regarding the total number of non-accredited investors in order to assure that the limit is not exceeded.

The Adviser's New Account Application, executed by each advisory client at the time the advisory account is established, may contain sufficient information for the Compliance Officer to make a general suitability determination for that client, particularly when private placements represent only a very small percentage of their invested assets. In cases where the client's total commitment to illiquid investments is more than a very small percentage of their total invested assets, the Compliance Officer may require documentation of assets not otherwise visible to the Advisor and any other financial information deemed pertinent to the suitability determination. Clients considered for investments may be excluded or the amount of their investment modified by the Compliance Officer as a result of this review. A copy of pertinent documents, including notes reflecting the Compliance Officer's suitability analysis, will be retained as part of the permanent client file.

18.3 Disclosure

Although the Adviser may be authorized under a limited power of attorney to execute transactions on behalf of a client without obtaining specific client consent, the Adviser will, in such instances, due to the illiquid nature of most private placements, provide to each prospective client in advance of the purchase a disclosure letter summarizing the primary risks and financial considerations involved in the selection of the securities on their behalf. Such risks and financial considerations will be drawn from the offering documents of the private placement and any underlying investments as well as the Adviser's own assessments.

The Adviser will explicitly state in the disclosure letter that all Subscription Documents, to include the Subscription Agreement, the Operating Agreement and any ancillary documents, will be signed on behalf of clients. During this process and thereafter, the Adviser will be attentive to any distinction between documents made specifically a part of transactions executed on behalf of clients and documents that may be only tangentially or not related, and none of the latter will be executed on behalf of clients.

Should the Adviser have any financial interest or participation in the transaction or the private placement entity, the disclosure letter will clearly describe this interest (SEC Rule 15c1-6). Similarly, should the Adviser participate in any contingent offerings, the Compliance Officer will ensure that the contingencies associated with the offering are disclosed clearly and fully in the offering documents of the private placement and disclosed to prospective clients before transactions in such securities take place (SEC Rule 10b-9).

In certain instances, the Adviser may form a pooled investment vehicle such as a limited liability company (LLC) or limited partnership for the purpose of purchasing an interest on behalf of clients in an underlying investment. In the event that officers and employees of the Adviser are also officers, managers, or directors of such an LLC or partnership offered by the Advisor, those individuals and their respective roles will be specifically identified in the disclosure letter. Under most circumstances, the Adviser will exclude employees who own membership interests in an LLC or partnership from serving as managers or directors of that entity. In the event that it is deemed impractical to exclude from a management roll all Adviser employees who have an ownership interest in an LLC or partnership, the Adviser will disclose those individuals and their roles on its Form ADV, Part 2.

In the event that an LLC or limited partnership has been formed by the Adviser, the disclosure letter will include language, as appropriate, indicating that the entity will incur basic legal expenses, including but not limited to organizational expenses, and accounting expenses, including but not limited to annual audits, maintenance of capital accounts, and tax preparation.

To further assure that other material considerations are fully disclosed, investors will be provided, concurrent with the disclosure letter, copies of the offering documents for any private placement in which they will be directly investing, and, where applicable, copies of the offering documents for any underlying investments. These documents may be delivered either physically or electronically. Confirmation from the client that they have read the disclosure letter and any other documents as they may choose and are in acceptance of the Adviser's election to invest on their behalf in the amount specified in the letter will be required prior to execution of any subscription document on their behalf. Confirmation may be made physically or electronically, and a physical copy of the confirmation will be retained in the client file.

18.4 Financial Monitoring

To the best of its ability, the Adviser will acquire financial information from private placements on a periodic basis and will monitor that information, in part, for the purpose of assessing changes in valuation of the underlying investments in a manner consistent with the Advisor's written Pricing Policy for securities that are not freely marketable. The Compliance Officer will retain copies of these reports in the files or binders established for each entity. The Compliance Officer will also be responsible for assessment or review of changes in valuation and communication of any changes to the Advisor's custodian.

18.5 Organization and Management of Pooled Investment Vehicles

As indicated earlier, the Adviser may in certain instances establish pooled investment vehicles such as limited partnerships or limited liability companies for the purpose of investing in other entities. All policies and procedures addressed above will apply to each such partnership or LLC.

The Adviser will maintain full records for each such entity in a file or binder. Included will be all organizational documents, an Operating Agreement listing each investor and the dollar amount and percentage of their interest, financial records, tax records, and all other records pertaining to the entity.

Form ADV, Part 2 will be amended to reflect the Adviser's involvement upon establishment of each such entity.

18.6 Custody

Under the Custody Rule (SEC Rule 206(4)-2), and adviser is deemed to have "custody" when it holds, directly or indirectly, client funds or securities or has authority to obtain possession of them. Included are circumstances under which an adviser acts as both general partner and investment adviser to a limited partnership or acts as both managing member and investment adviser to a limited liability company. Advisers are not required to comply with the reporting requirements of the rule with respect to such pooled investment vehicles, including limited partnerships and LLCs, if the pooled investment vehicle (i) receives an annual audit; and (ii) distributes its audited financial statements prepared in accordance with GAAP to all limited partners or members within 120 days of the end of its fiscal year. In regard to the latter, a fund of funds, defined as a pooled investment vehicle that invests 10 percent or more of its total assets in other pooled investment vehicles, has 180 days from the end of the fund of funds' fiscal year to distribute audited financials to investors. The Compliance Officer is responsible for securing a qualified accounting firm to conduct the annual audits and for seeing that the audits are completed and distributed to investors on a timely basis.

18.7 Reporting to Clients

Quarterly account statements provided directly to clients by the Adviser's custodian will show positions and transactions for all private placement investments held at the custodian. For pooled investment vehicles established by the Adviser and subject to the Custody Rule as outlined above, investors will be provided an annual report including a copy of the audited annual financial statements. For all other entities, including investment entities underlying any pooled investment vehicles established by the Adviser, investors will be provided, either physically or electronically, annual and quarterly reports, as available. A copy of all reports, noting the date provided to investors, will be retained by the Compliance Officer in the files of the entity as documentation.

19 Client Portfolio Management and Suitability

The Adviser's portfolio management process is designed to ensure that each client is dealt with fairly and that investments made are suitable for the client and consistent with any disclosures or other representations by the Adviser. All procedures are monitored under the supervision of the Chief Compliance Officer.

19.1 Allocation

For exchange-traded securities of any type, the Adviser's policy is to use the trade allocation methodology incorporated into its custodians' proprietary software. The methodology is addressed in more detail under "Trading".

19.2 Suitability and Consistency With Client Objectives

Portfolio management must meet the standards of suitability for the specific client's financial circumstances and objectives. Primary considerations are:

1. Overall Risk Tolerance – The investment advisor representative opening the account will engage the client in sufficient discussion to come to a sound, reasonable, and carefully considered assessment of the client's willingness and capacity to bear a defined level of investment risk. The agreed upon assessment will be documented at the time the account is opened on the Advisor's New Account Application.
2. Personal and Financial Inventory – Detailed personal and financial information contributes considerably to determination of a suitable investment objective. Information to be collected, at a minimum, includes age, employer, occupation, income, tax bracket, value of investment portfolios, and net worth, as documented on the Advisor's New Account Application, along with as much other information as the investment advisory representative may gather that can contribute to their understanding of the client's circumstances in helping to develop suitable account objectives. Additional information might include marital status, number and ages of any children, life and lifestyle goals, availability of reserves in the form of cash or credit, and health and financial condition of parents.
3. Account Objectives – The investment advisor representative will also work with the client to evaluate the client's goals for each specific account. The account objective resulting from this discussion will be documented on the New Account Application. This objective should be consistent within the framework of the client's overall risk tolerance, asset composition, and financial considerations. It will determine the investment portfolio or strategy that is selected and implemented for the account.
4. Based upon the above information, the client, in consultation with the investment advisor representative, will select and specify on the New Account Application one or more of the Advisor's Model portfolios or strategies for the purpose of implementing the selected strategy. Alternatively, a client may request that some or all the account assets be held independent of any model. Any subsequent request to change the model allocations must be in writing. Changes should acknowledge the client's understanding and acceptance of any changes in account objective and risk profile.

A designated compliance principal will review all new account paperwork prior to establishment of the account to confirm that the investment portfolios and strategies selected for implementation are suitable for the account based upon all of the information documented on the New Account Application. If the information provided is not sufficient to complete an adequate suitability determination, the principal may require additional information as needed. If there is a concern that the portfolios or strategies selected may not be suitable, the principal will bring the findings to the CCO, who will make a final determination. The CCO may recommend alteration of portfolios /

strategies, or, if a mutually agreeable solution cannot be identified, may deny the opening of the account. Any such decision will be documented and retained in the client file.

Account changes will be similarly reviewed by a designated principal.

To assure that investment advisor representatives are well versed in the Advisor's investment strategies and the relative risk associated with each, the Advisor will incorporate regular updates on these strategies into its Continuing Education Program, which has mandatory attendance standards for all investment advisor representatives.

All reviews of suitability are under the direct supervision of the Chief Compliance Officer.

19.3 Portfolio Management

The Adviser places accounts in one or more model portfolios except in cases where clients elect to hold assets independently in a non-modeled status. Model portfolios are designed and managed under the supervision of the Advisor's Chief Investment Officer to conform to suitable investment objectives. All trades must be approved by a Portfolio Manager. No other personnel may independently approve trades in any client account. Models are monitored daily by the respective Portfolio Manager for consistency with the investment objectives of each, and trades are reviewed by the Chief Investment Officer using daily blotters. Electronic systems at the custodian or a third party software provider may be used to identify accounts within a model that have become imbalanced beyond defined parameters. Trades may be processed at the discretion of the respective Portfolio Manager to bring those accounts back into appropriate balance.

The Adviser may in some cases place accounts in model portfolios managed by outside third party managers. When evaluating, selecting, and monitoring outside models, the Adviser is acting as a manager of managers. Prior to selecting an outside manager, the Adviser will conduct thorough due diligence into the outside manager's business and business practices covering the following categories:

1. General – which may include a website review, internet search, interviews with key personnel, site visits, and other considerations.
2. Compliance – which will typically include an examination of the outside manager's Form ADV Parts 1 & 2 (including disciplinary information and financial industry activities and affiliations) and may also include a review of its Privacy Policy, Code of Ethics, Business Continuity Plan, regulatory exam results, and/or organizational chart.
3. Product/Investment Strategy – which will include investment process, performance history, risk management process, investment management personnel, and/or asset capacity.
4. Marketing Material – which may include performance flyers, fact sheets, commentary, presentations, and other materials, along with a determination of whether the manager's performance is GIPS verified.
5. Ongoing Due Diligence – No less than annually, the Adviser will conduct a due diligence update of all active third party manager relationships, covering pertinent elements from the list above.

In those instances where clients elect to hold discretionary accounts in a non-modeled status, all trades will be implemented by a Portfolio Manager in a manner that appropriately matches the resulting portfolio allocation with the client's stated objectives and risk tolerance parameters as defined on the New Account Application or pertinent updates to that document.

The portfolio management process is under the direct supervision of the Chief Investment Officer, Gordon Wegwart.

19.4 Investment Discretion

In most cases, the Adviser manages client portfolios on a discretionary basis. In the event the client is holding securities in an account that is unmanaged, client approval must be obtained for any transactions. Documentation will be reviewed by a principal under the supervision of the CCO. A copy will be retained in the client file.

19.5 Account Review

Using these systems, there is currently no practical limit on the number of accounts within any given model that may be reviewed by an associate. Non-modeled accounts are reviewed monthly by William R. Hopwood. Distributions from individual accounts and IRA's are itemized in a daily report which is monitored for unusual account activity. Any unusual activity is to be reported to the CCO.

19.6 Disclosures

The Adviser provides its Form ADV Part 2 to all prospective clients, which discloses advisory services, fees, conflicts of interest, and process for account review and monitoring.

19.7 Proxy Voting

It is the policy of the Advisor not to vote proxies on behalf of clients. This policy is disclosed to clients in the Advisor's Investment Advisory Agreement.

19.8 Allocation Alert Services

The Adviser provides an Allocation Alert service to clients with certain accounts (such as 401k accounts and other retirement plan accounts) which are not subject to the Adviser's discretionary management. Using the same suitability and account objective considerations outlined in Item 19.2 above, a target-risk strategy will be selected by the client, subject to the same compliance review and approval process as managed accounts. Based upon the selected strategy, the Advisor will provide to the client specific allocation recommendations on an ongoing basis. Recommendations are provided via email, and the client is responsible for implementing the recommended allocations. Recommendations are the responsibility of the Chief Investment Office.

19.9 Financial Planning Services

The Advisor may, in certain instances, offer financial planning services to clients. In those instances, a written agreement will be executed addressing the obligations and responsibilities of each party, the fee structure, conflicts of interest that may arise in the event of commission or fee based products that may be recommended, the purpose of plan implementation, and potential information sharing with related parties under the Advisor's privacy policy. All written agreements will be reviewed by the Compliance Officer, and a copy will be retained in the client file. In all instances, associated persons must place the interest of the client ahead of their own.

20 Marketing of Advisory Services

20.1 Solicitors

20.1.1 Policy

The Adviser may compensate persons, i.e., individuals or entities, for the referral of advisory clients to the Advisor, provided appropriate disclosures and regulatory requirements are met.

20.1.2 Background

Under the SEC Cash Solicitation Rule (Rule 206(4)-3), investment advisers may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions are met under the rules. Under the SEC rule, a solicitor is defined as "any person who, directly or indirectly, solicits any client for, or refers any client to, an investment adviser."

20.1.3 Procedures

The Adviser has adopted procedures to implement the Advisor's policy and to monitor and ensure the Advisor's policy is not only observed, but regularly amended or updated, as may be appropriate. Procedures include the following:

- The CCO or his designee, Amy Simonson, Vice President of Operations and Finance, will review and approve any solicitor arrangements, including compensation arrangements, as well as related matters.
- The CCO will monitor the Advisor's solicitor arrangements to document any new or terminated relationships, maintain appropriate records, and assure that Form ADV disclosures are current and accurate.

The CCO has the responsibility for the implementation and monitoring of the Advisor's cash solicitation policy, procedures, disclosures and recordkeeping.

20.2 Sub-Advisory and Third-Party Manager Services

20.2.1 Policy

The Adviser may offer its discretionary investment management services to other Investment Advisers on a sub-advisory or third-party manager basis, provided appropriate disclosures and agreements are in place. Investment management services may be provided as part of a turnkey asset management platform which can include various administrative services, such as fee collection and trade management.

Under the terms of these agreements, the Advisor will not have responsibility for the overall suitability of any client accounts; responsibility will be solely for the management of the models selected according to the stated parameters for each and for the diligent and accurate fulfillment of any other services included in the agreements with the other Investment Advisers.

20.2.2 Procedure

The Adviser has adopted procedures to implement the Advisor's policy and to monitor and ensure the Advisor's policy is not only observed, but regularly amended or updated, as may be appropriate. Procedures include the following:

- The CCO or his designee, Amy Simonson, Vice President of Operations and Finance, will review and approve any sub-advisor or third-party manager arrangements, including compensation arrangements, as well as related matters.
- The CCO will monitor the Advisor's sub-advisor arrangements to confirm documentation of any new or terminated relationships, maintain appropriate records, and assure that Form ADV disclosures are current and accurate.
- Portfolio management will be conducted in the manner outlined in Section 19, specifically the section addressing Portfolio Management, and trading will be conducted using the same Trading policies and procedures covered in Section 10.

The CCO has the responsibility for the implementation and monitoring of the Advisor’s sub-advisory and third-party manager services policy, procedures, disclosures and recordkeeping.

20.3 Non-Discretionary Advice Services

20.3.1 Policy

The Adviser may offer non-discretionary advice to retirement platforms and/or managed account platforms of various types, provided appropriate disclosures and agreements are in place. Advice will consist of recommended model portfolios, including recommended security selection, target allocations, and changes to securities and/or target allocations from time to time. The Advisor will have no control over execution or timing of trades. The Advisor will have no discretion over client accounts and no access to client information unless a separate advisory agreement is in place with any individual client(s).

20.3.2 Procedure

The Adviser has adopted procedures to implement the Advisor's policy and to monitor and ensure the Advisor's policy is not only observed, but regularly amended or updated, as may be appropriate. Procedures include the following:

- The CCO or his designee, Amy Simonson, Vice President of Operations and Finance, will review and approve any non-discretionary advice arrangements, including compensation arrangements, as well as related matters.
- The CCO will monitor the Advisor's non-discretionary advice arrangements to confirm documentation of any new or terminated relationships, maintain appropriate records, and assure that Form ADV disclosures are current and accurate.
- The Chief Investment Officer will be responsible for monitoring all model portfolios and for the process of directing recommended allocation instructions to the pertinent parties for each platform. The CIO will maintain records for each platform of all allocation recommendations and related communications with each platform.

The CCO has the responsibility for the implementation and monitoring of the Advisor’s non-discretionary advice services policy, procedures, disclosures and recordkeeping.

20.4 Administrative Services

20.4.1 Policy

The Adviser may offer administrative and operational services to other Investment Advisors, provided appropriate disclosures and agreements are in place. Administrative and operational services may consist of any combination of fee calculation, fee collection, trading, and/or other services other than discretionary investment management or non-discretionary investment advice services.

20.4.2 Procedure

The Adviser has adopted procedures to implement the Advisor's policy and to monitor and ensure the Advisor's policy is not only observed, but regularly amended or updated, as may be appropriate. Procedures include the following:

- The CCO or his designee, Amy Simonson, Vice President of Operations and Finance, will review and approve any administrative services arrangements, including compensation arrangements, as well as related matters.
- The CCO will monitor the Advisor's administrative services arrangements to confirm documentation of any new or terminated relationships, maintain appropriate records, and assure that Form ADV disclosures are current and accurate.

The CCO has the responsibility for the implementation and monitoring of the Advisor’s adminstrative services policy, procedures, disclosures and recordkeeping.

21 Advisory Services to Retirement Plan Sponsors

21.1 Policy

The Adviser may provide advisory services to pension plan sponsors either separately or in combination. Clients for these services may include 401(k) plans, 403(b) plans, other defined contribution plans, and/or profit sharing plans. Certain of these plans may be governed by the Employment Retirement Income Security Act (ERISA). When acting as a fiduciary under ERISA, and as a matter of policy, the Adviser is responsible for acting solely in the interests of the plan participants and beneficiaries.

21.2 Services

- *Investment Policy Statement (IPS) Preparation:*
  The Advisor may assist the plan sponsor in developing an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Using this information, we will prepare a written IPS detailing objectives, responsibilities, investment guidelines, and monitoring criteria, among other considerations.

- *Selection of Investment Vehicles:*
  The Advisor may screen and recommend to plan sponsors an appropriate menu of investment options for plan participants consistent with ERISA Section 404(c), taking into consideration fund management, expenses, risk characteristics, and asset class, among other factors.

- *Monitoring of Mutual Funds / Investment Managers:*
  The Advisor may monitor the plan's fund lineup and provide detailed reports to the plan sponsors. Included will be a list of funds that have been place on "watch lists" for possible replacement, and recommendations for replacement of funds when such action is warranted. Monitoring will be conducted on a quarterly basis, and copies of monitoring reports and any comments or recommendations to the plan sponsor will be retained in the compliance files for documentation purposes.

- *Employee Communications*
  The Advisor may provide educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by the Advisor and the client under the guidelines established in ERISA Section 404(c).

- *Model Portfolios*
  The Advisor way provide to the plan certain model portfolios as investment options for plan participants. If a participant selects one of the models, the assets of the participant will be managed on a discretionary basis according to the specific strategy for that model. These model portfolios will be managed and supervised under the procedures in Section 19.3 – Portfolio Management.

- *Other Fiduciary Services*
  The Advisor may enter into an agreement with the plan sponsor to accept designation as a “Co-Fiduciary” to the plan under either ERISA Section 3(21) or Section 3(38).

- *Other Services*
  The Advisor may provide other related services as may be agreed upon between the Advisor and the plan sponsor.

21.3 Standard of Care

All fiduciary services provided under the terms of ERISA Sections 3(21) or 3(38) will be performed in accordance with the prudent man rule set forth in ERISA Section 404(a)(1)(B).

All non-fiduciary services will be performed using reasonable business judgment and practices.

21.4 Agreement

The terms of the agreement between the parties, including all advisory fees, will be captured in an Investment Advisory Agreement. This agreement will be approved and signed by a principal of the Advisor. A copy will be retained with the Advisor's client files.

21.5 Compensation

Neither the Advisor, nor any affiliate, intends to receive any compensation, direct or indirect, for services under the agreement with a plan sponsor other than the fees specified within the written agreement. If the Advisor should receive any other compensation, the Advisor will offset that compensation against its stated fees and will provide detailed disclosure to the plan sponsor.

21.4 Supervision

The CCO has the responsibility for the implementation and monitoring of the Advisor's policy, procedures, and recordkeeping.

22 Accounts for Senior Investors

Accounts for senior investors in general – defined for these purposes as individuals age 65 or older - will be scrutinized with added care for proper suitability of investments as well as any signs of financial abuse by third parties. In addition, the accounts of certain individuals at earlier ages may be subject to these policies due to a variety of physical or cognitive conditions that could make them financially vulnerable.

There are three broad issues that tend to apply particularly to senior investors:

- General changes in suitability due to factors specific to the stage of life, such as reduced investment time frames and the need to begin drawing income from accounts previously designed purely for accumulation purposes.
- Signs of diminished mental capacity.
- Signs of financial abuse.

22.1 General Suitability

Certain products or strategies pose risks that may be unsuitable for most seniors due to shorter time horizons, increased liquidity needs, and lower tolerance for volatility or other types of risk.

It is particularly important when dealing with seniors to base recommendations on current information, including such factors as whether or not the client is still employed or when they will retire, the amount of income they will need, their anticipated sources of income, their anticipated expenses, the importance of liquidity, their financial and investment goals, whether they will be relying on investment assets for health care expenses, and other similar considerations.

The compliance principal approving a new account or an account change will give careful consideration to:

- Investment strategies categorized in the Firm's account suitability profile as "aggressive".
- Any illiquid investments, particularly investments with lock-up periods.
- Excessive concentrations in particular securities or types of securities, especially securities subject to greater volatility or other risk.

Any suitability concerns will be escalated to the CCO. The CCO may require changes to the investment selections or a written explanation included with the account documentation for any account objectives, products, or strategy selections which might be considered questionable for seniors under normal circumstances.

22.2 Diminished Capacity

Diminished capacity is a mental condition that affects a person's ability to understand his or her own acts or decisions. This is different than a mere inability to retrieve information as quickly or efficiently as one may have done at an earlier age, as simple "forgetfulness" does not necessarily impair intellectual functioning. One of the most common forms of diminished capacity in aging adults is dementia. A person afflicted with dementia may experience conditions such as confusion, poor judgment, emotional disturbances, changes in personality, loss of language skills, difficulty following a conversation, difficulty making decisions, and loss of basic orientation (such as not knowing the date).

22.3 Financial Abuse

Increased reliance on others, whether for reasons of diminishing mental or physical capacity, can also make senior investors vulnerable to financial abuse by family members or caregivers. Such abuse is characterized by misuse of the senior investor's money or belongings by a family member or another person in a position of trust.

22.4 Trusted Contact Person

In working to protect the best interests of the client, the Firm can benefit greatly by having the authority to contact another trusted individual. At the time of application for an account and at certain times when account information is being updated, all investors will be asked to provide the name and contact information for a trusted contact person, who may be contacted by associated persons of the firm to address possible financial exploitation or to confirm the specifics of current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney.

22.5 Red Flags

Investment advisor representatives and other personnel should be sensitive in dealing with senior investors to signs of diminished capacity and/or financial abuse.

In general, red flags can include:

- Sudden, atypical or unexplained withdrawals.
- Erratic financial questions and decisions.
- Uncharacteristic forgetfulness.
- Inability to process simple concepts.
- Apparently unfounded investor concerns that money is missing from their accounts.
- Drastic shifts in investment style.
- Inability to contact the client.
- Signs of intimidation or reluctance to speak in the presence of a caregiver.
- Changes in professional advisors.
- Isolation from friends and family.
- Use of guardianship authority to transfer property for the benefit of the guardian.
- Authorization by a guardian of frequent withdrawals without reasonable explanation.

Any concerns for these or other reasons should be documented by the advisor in their client files and reported immediately to the Compliance Officer or, in his or her absence, one of the firm's other compliance principals or a member of senior management.

In the event of a reported concern, the Compliance Officer or other qualified individual should:

- Contact the client's Trusted Contact Person and/or Power of Attorney, if such persons have been named by the client on an account application or other signed document.
- Conduct a review of the account(s), including the transaction and distribution history, to seek any patterns that could indicate a problem.
- Monitor the account(s) for a period of no less than 90 days, depending on specific circumstances and any resolution of the identified concerns.
- With the assistance of the investment advisor representative, maintain frequent contact with the client to assess any new developments.

Upon appropriate evaluation, should the Compliance Officer or other qualified member of the firm reasonably believe that financial exploitation is being attempted, Adult Protective Services should also be promptly notified.

All steps taken should be documented in the client's file.

Another red flag can be unusual changes in beneficiaries, powers of attorney, or trustees, or an unusual change of address. The compliance principal reviewing such changes will check the signature of the investor against other previously signed documents to determine authenticity. For change of trustee or power of attorney, the account will be monitored for no less than 90 days to detect any change in activity, account allocation profile, account objectives, or a pattern of distributions to a single, third-party payee.

22.6 Advertising /Seminars

Advertising and seminars directed specifically toward seniors must be approved by the Compliance Officer to assure that content and/or promotional materials do not contain exaggerated claims of safety, scare tactics, material omissions regarding investment strategies, undisclosed conflicts of interest, or misleading credentials by sponsors or presenters.

Anything that attempts to create an artificial or inappropriate sense of urgency around major decisions or commitments, or anything that might heighten or exaggerate typical fears of older investors, should be avoided. Examples of such practices include:

- Inaccurate or exaggerated claims regarding the safety, liquidity, or expected returns of the investment or strategy being touted.
- Scare tactics in any form.
- Misrepresentation or material omissions about any product or strategy.

22.7 Training

As part of their regular dealings with senior investors, investment advisor representatives should:

- Document conversations with clients who are seniors and capture material changes observed, whether physical or cognitive.
- Consider increasing the frequency of contact with senior investors to remain informed about changes in financial needs, health, and other events.
- Review and update information no less than annually.
- Consider having the client invite another family member to meetings schedule to discuss their account.

When a client is approaching a transition from active employment to retirement, particular attention should be directed to gaining an updated understanding of the client's circumstances in the context of the impending changes. The client's investment advisor representative should update the client's investment profile as appropriate, considering total amounts in savings/investments, location of accounts, anticipated expenses, health and long-term care insurance coverages, tax factors, and the client(s) objectives, among other factors specific to each client.

In addition, advisors should, encourage aging clients to:

- Organize important documents and keep them in an easily accessible place.
- Provide trusted emergency contacts.
- Create a durable power of attorney.

The Firm will incorporate training regarding these issues, and the policies and procedures outlined above, into its Annual Compliance Meeting or at other such times as determined by the CCO. Dates, topics covered, copies of training materials, and individuals attending will all be documented and retained as part of the annual Compliance and Continuing Education Records.

23 Supervision of Branch and Non-Branch Locations

23.1 Account Application Paperwork

A branch office is any location where an advisor regularly solicits or conducts business with clients, or that is held out as such. Offices will be disclosed via the CRD system under the supervision of the Chief Compliance Officer.

Securities account applications and customer payments submitted to a branch office are to be reviewed by the designated person in charge for that office for completeness and accuracy. Once the sale has been reviewed by the designated person in charge, it is entered into the Branch Office Submitted Sales Blotter.

Sales are then to be mailed or electronically transmitted to the home office by the next business day for final supervisory review. If no designated person in charge or other supervisory individual is going to be available for a period of more than one business day, advisors are to be instructed to forward paperwork directly to the home office for processing. Copies should be retained for the branch office's person in charge.

Advisors who are too remote from the branch office to which they report to deliver applications within one business day of completion are to mail their applications and customer payments to the branch office within one business day. Alternatively, they may mail directly to the home office, with concurrent notification to their branch office covering all items on the submitted sales blotter. The person in charge of the branch office should enter these sales onto the Submitted Sales Blotter of the branch office with the notation that they were mailed directly to the home office by the advisor.

Full copies of all paperwork are to maintained by the branch office and made available for review during supervisory inspections.

23.2 Recordkeeping

In addition to the records required above, additional records are required to be maintained as specified on the "Branch Office Inspection Checklist" (or the "Non-Branch Location Checklist", if appropriate). All records are to be maintained for a minimum of 2 years.

23.3 Inspections

An on-site inspection, including testing and verification of policies and procedures, of each branch location will be conducted by the Compliance Officer or designee at periodic intervals. Any individual conducting inspections will have adequate seniority and experience to understand and be able to effectively evaluate the activities specific to the business of each office. For branches which supervise non-branch locations, inspections will be conducted no less than once each calendar year. For branches which do not supervise non-branch locations, inspections will be conducted no less than once every three calendar years. Non-branch locations with only one registered person and no unusual or complex business activity will be inspected no less than once every five years, with documented exceptions which may be made at the discretion of the CCO for any non-branch locations which a re not materially active.

The Compliance Officer will consider the risk factors specific to each office in planning the inspections and establishing the inspection schedule. Individuals with a disciplinary history, or individuals who previously worked at a firm with a disciplinary history, may trigger more frequent inspections, unannounced inspections, and/or heightened supervision. In addition, certain 'red flags' could trigger unannounced visits as a matter of procedure. Among the red flags are:

- significant numbers of customer complaints
- financial problems by the person in charge of the office

Inspections may include review of office files and computers, and interviews of representatives and/or administrative personnel. The inspection will be conducted using the Branch Office Inspection Checklist as both a guide and a permanent record. Any deficiencies and the disciplinary action taken will be noted, including a record of the correction of those deficiencies. A copy of the Inspection Checklists, signed by the Compliance Officer or his designee, will be maintained in the firm's compliance files.

Any "red flags" identified during an inspection, including in particular indications of irregularities in a customer's account, will be further investigated for inappropriate activity.

The Compliance Officer will maintain lists of all branch and non-branch locations.

24 COLLECTION OF ADVISORY FEES

Fee calculation for each client account will be performed by one of the following sources:

1) Custodial Platforms - Some custodial platforms provide automated fee calculation for accounts under their custody.
2) Portfolio Management Services - For custodial platforms that do not provide automated fee calculation, the Advisor uses one or more portfolio management services to provide automated fee calculation.

For each custody platform or portfolio management service used to provide fee calculation, the Advisor will confirm the accuracy of the automated fee calculation methodology.

The Advisor will generally use an average daily balance methodology for fee calculation purposes, with billing in arrears. Additions will be billed from the date received; withdrawals will be removed for the purpose of fee calculation at the time of disbursement from the account.

On any platform where an average daily balance methodology is not available or is not operationally practical or desirable, the Advisor may calculate fees based on the period-end valuation for each account, with billing in arrears. Additions during a fee period will be billed on a prorated basis from the date received; withdrawals will be billed on a prorated basis through the date of disbursement.

On one grandfathered platform, as disclosed in the Advisor's Form ADV Part 2, fees will continue to be collected in advance based on the prior quarter-end valuation for each account. Additions will be billed on a prorated basis from the date received; withdrawals will receive a refund for the prorated portion of the quarter from the date of disbursement, subject to a 30-day termination notice requirement in the pertinent advisory agreements.

Fee assignments, including the fee rate(s) and frequency, will be identified on account application forms at the time of submission. At the time of account creation and for account change forms submitted following initial account creation, operations staff will enter the fee assignments into the respective custody or portfolio management system. Where there are specific management fees for individual models and/or strategies, these fees will be similarly assigned either at the time of account creation or at the time of submission of pertinent account change forms.

For testing purposes, all new fee assignments will be reviewed by a manager to confirm accuracy. For accounts with fees calculated by a portfolio management service, the assets under management (AUM) used for the fee calculation in each account will be reconciled at the end of each quarter with the AUM data from the custodian for that account to verify accuracy of the data being used for the purpose of the fee calculation. A reconciliation report will be produced and documentation maintained in the Advisor's compliance files.

Accounts eligible to be grouped or linked for fee purposes will be identified by the investment advisory representative in the section provided on the pertinent new account application form(s). The operations personnel who process incoming account applications will be responsible for searching the database(s) of either the pertinent custodian or portfolio management service to confirm that all appropriate links are established and in place. A representative sample of accounts will be audited each quarter on a rotating basis to verify proper linking of accounts.

At the time of introduction of any new fee schedules, whether for platforms, external relationships, individual models or strategies, or for any other purpose, the Advisor's Form ADV Part 2, Item 5 will be reviewed and updated as may be necessary for consistency with Investment Advisory Agreements or other fee agreements. In

addition, the Advisor's Form ADV Part 2, Item 5 is subject to a general review no less than annually to confirm accuracy with the Advisor's fee rates and procedures.

Any fee errors identified at any time will be promptly resolved, with the client being made whole in the event of any errors to their detriment.