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This brochure provides information about the qualifications and business practices of Palisade Capital Management, L.L.C., an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (201) 585-7733 or via email at info@palcap.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Palisade Capital Management, L.L.C. also is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our Firm’s CRD number is 104581.

ITEM 2 MATERIAL CHANGES

The following summary discloses only material changes made to this Brochure since our last annual update which was filed on March 29, 2012:

Palisade Associate Investment Fund, LLC

On August 1, 2012, Palisade Capital Management, L.L.C. (“Palisade” or the “Firm”) established Palisade Associate Investment Fund, LLC (“PAIF”) as a private fund to serve as an investment vehicle for Palisade’s employees to invest in the Firm’s small-cap core equity, small-cap growth equity, and mid-cap growth equity investment strategies (each as described in Item 4 of this Brochure). PAIF generally trades alongside Palisade client accounts utilizing the “Block Trade” procedures described in Section B in Item 12 of this Brochure. Investment in PAIF is available solely to Palisade employees and their respective household family members (or entities owned or controlled exclusively by such employees and/or household family members). For purposes of the foregoing, “household family members” means the spouse (or the equivalent, e.g., domestic partner) and children of a Palisade employee who lives in the same residence as a Firm employee.

Palisade serves as the Managing Member of, and investment manager to, PAIF, and receives no management or performance fee in connection for providing such services. Please see Item 5 of this Brochure for more information.

Palisade’s management of a proprietary account, like PAIF, alongside client accounts creates numerous conflicts of interest. Please see Section F in Item 4, Item 10, and Section B in Item 11 of this Brochure for further information.

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ITEM 4 ADVISORY BUSINESS

Palisade Capital Management, L.L.C., a New Jersey limited liability company (“Palisade” or the “Firm”), is an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”) with its principal place of business located in New Jersey. Palisade began conducting business in 1995. Please note that registration with the SEC does not imply a certain level of skill or training.

A. General Description of Advisory Firm

Our History

Palisade traces its heritage to the late 1960s when founder and Chairman, Martin L. Berman, was a stock broker at predecessor organizations to Drexel Burnham Lambert. Mr. Berman and Chief Investment Officers Jack Feiler and Dennison T. Veru began working together in 1970 and 1984, respectively. Mr. Berman founded the Broad Street Investment Management division of Drexel Burnham Lambert in 1981. Steven E. Berman, Vice Chairman, joined Drexel in 1986. Throughout this period, the team served as advisors to wealthy individuals and corporate executives and was instrumental in raising capital for small to middle market companies across the United States. In the early years after the enactment of the Employee Retirement Income Security Act of 1974 (“ERISA”), the team began managing small capitalization portfolios for corporate retirement plans for several of their clients’ companies. After Drexel Burnham Lambert closed in 1990, the team moved intact to Smith Barney Harris Upham, where it established and operated as an autonomous business unit, Whiffletree Capital Management. The team left Smith Barney on amicable terms upon the founding of Palisade as an independent investment adviser, and began operations in April 1995. Jeffrey Serkes joined Palisade in February 2007 as Principal and Chief Operating Officer, as the Firm began to implement plans for succession of its former COO, Steven E. Berman. Mr. Serkes had been Senior Vice President and Chief Financial Officer of Allegheny Energy, Inc. where he was instrumental in turning around the company. Mr. Serkes initially met Palisade during his tenure as Vice President and Treasurer of IBM Corporation, where he was responsible for oversight of the IBM Retirement Fund.

As a result of our founding principals’ management of small capitalization equity strategies for various corporate retirement plans and the Firm’s reputation for client service and trust, the Firm’s clients asked Palisade to initiate various additional investment strategies. For example, in 1995, one of the Firm’s clients, who had permitted Palisade to include convertible securities within its small capitalization equity portfolio, requested that the Firm manage a separate long-only (non-hedged) convertible securities portfolio. This mandate became the foundation of Palisade’s current convertible securities product offering. Similarly, in 2004, a Firm client made a strategic decision to invest its assets in the convertible arbitrage strategy. Because of our client’s trust in Palisade’s deep-seeded credit research process, they approached the Firm and asked us to begin a search for a convertible arbitrage portfolio manager. After an exhaustive search, Palisade hired a new portfolio manager for convertible arbitrage, and the client seeded a

convertible arbitrage mandate in October 2004. This initial portfolio developed into Palisade's convertible arbitrage investment strategy which is currently offered through separately managed accounts and a commingled hedge fund.

Palisade's growth equity team, responsible for the Firm's U.S. small, small-medium ("smid") and medium ("mid") capitalization growth equity strategies, was acquired from AG Asset Management LLC on January 31, 2009. Our growth equity team has extensive experience managing growth equity securities, and has an average tenure of eleven years with the team.

Firm Ownership

100% of Palisade's voting membership interests are owned by the Firm's five principals (and their children, solely for estate planning purposes). On a fully diluted basis, 98% of the Firm's equity is owned by Palisade's principals (and their children), with the remaining 2% non-voting convertible preferred interest being owned by two private equity investors. The above-referenced ownership percentages reflect an investment in excess of \$5 million by Palisade's principals on December 31, 2009 that reduced the Firm's outside non-voting ownership from approximately 29% to 2% (on a fully diluted basis). None of Palisade's equity holders are "principal shareholders" (*i.e.*, those individuals and/or entities owning 25% or more of the Firm) because no individual equity holder owns 25% or more of the company.

B. Description of Advisory Services

Palisade provides investment supervisory services, both on a discretionary and non-discretionary basis, to various types of clients as described below. Please refer to Item 7 for further information on the types of clients to which we provide our investment management services.

Specialized Investment Strategies

Palisade provides investment management services in the following investment strategies:

Small-cap core equity. Palisade's small-cap core equity strategy integrates proprietary time-tested earnings metrics with intensive bottom-up fundamental stock research with the objective of providing superior risk-adjusted returns. We seek to accomplish this through identification of high-quality, attractively priced companies that generate free cash flow and consistently grow earnings, with capitalization ranges generally within that of the Russell 2000® Index.

Small-cap growth equity. Palisade's small-cap growth equity strategy seeks to provide superior risk-adjusted returns on a consistent basis utilizing thorough and comprehensive fundamental research on small cap companies. Our portfolio consists of issues of dynamic companies believed to be fundamentally strong and which trade at a discount to their growth rate, with capitalization ranges generally within that of the Russell 2000® Growth Index.

Smid-cap growth equity. Palisade's smid-cap growth equity strategy seeks to provide superior risk-adjusted returns on a consistent basis utilizing thorough and comprehensive fundamental research on small and medium cap companies. Our portfolio consists of issues of dynamic companies believed to be fundamentally strong and which trade at a discount to their growth rate, with capitalization ranges generally within that of the Russell 2500™ Growth Index.

Mid-cap growth equity. Palisade's mid-cap growth equity strategy seeks to provide superior risk-adjusted returns on a consistent basis utilizing thorough and comprehensive fundamental research of mid-cap growth companies, along with a quantitative risk control overlay on the portfolio level. Our portfolio consists of issues of companies believed to be fundamentally strong that our research indicates will grow faster than expectations, improve return on capital, and mitigate perceived risks. Stocks will be considered generally within the capitalization range of the Russell Mid-Cap® Growth Index.

Convertible securities. Palisade's long-only convertible securities portfolios invest in convertible bonds and convertible preferred equity securities with the objective of capturing a significant portion of the upside return of equities (approximately 70%) while seeking to limit the downside exposure to the underlying equities (approximately 50%). We attempt to achieve this objective by trying to take advantage of two inefficiencies in the marketplace: mispriced stocks and mispriced convertibles. Palisade believes that we can identify attractive risk/reward opportunities in the convertibles market through bottom-up fundamental analysis.

Convertible arbitrage. Palisade's convertible arbitrage strategy, offered through managed accounts and a pooled hedge fund vehicle, seeks to generate absolute, non-correlated returns with low volatility and an emphasis on risk management and capital preservation. We seek to achieve positive returns in both rising and falling equity markets by employing a relative value strategy, using both credit and fundamental research, to seek to capture price inefficiencies through appropriate hedging strategies. Investment in Palisade's convertible arbitrage strategy is available only to certain accredited and/or qualified sophisticated investors.

Private equity. Palisade serves as the investment adviser to four private equity partnerships which seek to achieve attractive total returns through investments in small to middle market private and out-of-favor small capitalization public companies that represent "special situations" or growth opportunities. These partnerships pursue control and minority investments in amounts ranging from approximately \$2 million to \$20 million in companies where Palisade believes substantial value can be added by the expertise of its principals or through its extensive network of professional contacts. Investments are generally structured in the form of registered or unregistered equity or equity-linked securities, such as convertible preferred stock, subordinated debt (secured or unsecured) with warrants, and common stock. Partnerships may purchase securities in privately negotiated transactions or in the open market. Portfolio companies may operate in any industrial sector and be based anywhere in North America. Portfolio concentration is carefully managed with a focus on the merits of each opportunity. Investments in Palisade's private equity partnerships are available only to accredited and/or qualified sophisticated investors. At the current time, all of Palisade's private equity partnerships are

fully subscribed and the Firm is not offering the sale of new limited partnership interests in our existing funds. This does not limit Palisade's ability to offer the sale of additional limited partnership interests in its existing funds in the future, or to create and offer limited partnership interests in new private equity partnerships or other funds in the future.

Types of Account Vehicles

Palisade offers to our clients the following types of advisory account vehicles. Please note that not all account vehicles are available to all investors:

Separately Managed Accounts – Generally. Palisade provides continuous advice to institutional and individual private high net worth clients through separately managed accounts. We manage these accounts on a discretionary basis. Account supervision is guided by the client's stated objectives, as well as tax considerations, if applicable. Clients may impose reasonable restrictions on investing in specific securities, types of securities, or industry sectors. Our investment recommendations generally include advice regarding the following securities (however not all investment strategies will incorporate all of the types of securities listed below):

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Mutual fund shares
- Exchange Traded Funds ("ETFs")
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Credit Default Swaps ("CDS") and Credit Derivative Index ("CDX") contracts

Because some types of investments involve certain additional degrees of risk, they will only be implemented and/or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

Institutional Separately Managed Accounts. Palisade offers separately managed accounts on a discretionary basis to institutional clients in the following strategies, as described above:

- Small-cap core equity
- Small-cap growth equity
- Smid-cap growth equity
- Mid-cap growth equity
- Convertible securities
- Convertible arbitrage

High Net Worth Individual Separately Managed Accounts. Palisade offers private wealth management services on a discretionary basis to high net worth individuals through separately managed accounts, based on the individual needs of the client. Through personal discussions that establish goals and objectives based on a client's particular circumstances, we develop a client's individual investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background. High net worth separately managed accounts typically include the securities of individual issuers, however smaller accounts may also utilize mutual funds and ETFs to obtain an appropriate level of diversification. The investment strategies of private wealth management accounts generally include:

- *Equity growth* – Palisade seeks high-quality companies that are believed to be able to grow earnings, finance that growth internally, and achieve predictable recurring revenues, high returns on equity and investment, generate free cash flow, and consistently meet dividend requirements. These companies may be within all capitalization ranges and styles.
- *Fixed income* – Palisade seeks debt instruments of companies and other alternative investments (such as convertible securities, Real Estate Investment Trusts, and Master Limited Partnerships, each as described in Item 8 of this Brochure) believed to have superior credit quality, high risk-adjusted yield, and superior underlying fundamentals.
- *Balanced equity and income* – Palisade utilizes investments in both equity and fixed income investments in proportions consistent with the client's investment objectives.

Mutual Fund Management – Subadvisory Services. Our Firm, as a sub-adviser, provides discretionary portfolio management services to several mutual fund clients. Each portfolio is designed to meet a particular investment goal. Palisade provides these services to the following mutual funds (the “Mutual Funds”), all of which are registered under the Investment Company Act of 1940:

- GE Institutional Funds Small-Cap Equity Fund
- GE Investments Funds, Inc. Small-Cap Equity Fund
- GE Investments Funds, Inc. Total Return Fund (small-cap core allocation)
- Pyxis Small-Cap Equity Fund (formerly known as the Highland Small-Cap Equity Fund)
- PACE[®] Small/Medium Co Growth Equity Investments
- Mercer US Small/Mid Cap Growth Equity Fund

As an investment sub-adviser to each of the Mutual Funds, Palisade is responsible for providing investment management services only for our allocated portion of assets for each Mutual Fund. Palisade's investment teams utilize the institutional investment strategies described above (as

applicable) when providing subadvisory services to Mutual Funds. Investors interested in investing in mutual funds subadvised by Palisade should refer to each Mutual Fund's prospectus and Statement of Additional Information ("SAI") for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. These documents are available on-line at the following web addresses:

- For the GE funds: www.gefunds.com/retail/mutualfunds/GE_Inst_Funds.html
- For the Pyxis fund: <https://www.pyxisais.com/Funds---Performance/Mutual-Funds/Equity/Small-Cap-Equity-Fund>
- For the PACE[®] fund:
www.ubs.com/1/e/globalam/Americas/globalamus/globalamusfa/fa_pace.html
- For the Mercer fund:
<http://www.mercer.us/mutual-funds-on-offer>

Prior to making an investment in any of the Mutual Funds, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Funds.

We may advise or sub-advise additional mutual funds in the future.

Collective Investment Fund Management – Subadvisory Services. The Firm has been retained by SEI Trust Company ("SEI Trustee") to provide continuous investment advisory and administrative services to the SEI Trustee with respect to the management of the Palisade Capital Master Collective Trust (the "Master Trust"). The Master Trust is a bank-maintained trust that holds the commingled assets of certain participating qualified corporate and governmental retirement plans, including certain defined benefit and defined contribution plans ("Eligible Plans"). Palisade presently serves as the investment adviser to the following separate investment portfolios of the Trust (each a "Collective Fund"), and may advise additional investment portfolios of the Trust in the future:

- Palisade Capital Small Cap Growth Collective Fund
- Palisade Capital Small Cap Core Collective Fund
- Palisade Capital Smid Cap Growth Collective Fund
- Palisade Capital Mid Cap Growth Collective Fund

Palisade's investment teams utilize the institutional investment strategies described above (as applicable) when providing advisory services to each Collective Fund of the Master Trust. Eligible Plans interested in investing in the Master Trust should refer to the Master Trust's Declaration of Trust and Disclosure Memorandum for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. Prior to making an investment in any of the Collective Funds, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Collective Funds.

Private Funds: Hedge Fund and Private Equity Partnership Portfolio Management.

Palisade provides continuous advice on a discretionary basis to Palisade Strategic Master Fund (Cayman) Limited and its affiliated feeder entities Palisade Strategic Fund (Cayman) Limited and Palisade Strategic Fund (Domestic) LLC (collectively, the “Strategic Fund”), a private hedge fund utilizing the convertible arbitrage investment strategy described above. Investments in the Strategic Fund are available only to accredited and/or qualified sophisticated investors and certain Palisade employees. The Strategic Fund utilizes the same investment strategy as our convertible arbitrage separately managed accounts (as described above and described in the Strategic Fund’s private placement offering memorandum).

Our Firm also acts as the investment adviser to four private equity partnerships (collectively, the “Private Equity Funds”):

- Palisade Private Partnership, L.P.
- Palisade Private Partnership II, L.P.
- Palisade Concentrated Equity Partnership, L.P.
- Palisade Concentrated Equity Partnership II, L.P.

The Private Equity Funds are each private investment funds available to accredited and/or qualified sophisticated investors only. The Private Equity Partnerships utilize the investment strategy described under “Private Equity” above (and as described more fully in each of the Private Equity Funds’ respective private placement offering memorandum). Palisade affiliates serve as the general partners of each of the Private Equity Funds.

Investments in the Strategic Fund and each of the Private Equity Funds involve a higher degree of risk than investments in the separately managed accounts (other than convertible arbitrage separately managed accounts), the Collective Funds, or the Mutual Funds described above. For example, client investments in the Strategic Fund and the Private Equity Funds are less liquid. The Strategic Fund utilizes leverage and employs trading strategies involving a higher degree of risk such as short selling and options (though the Strategic Fund’s performance is intended to be less volatile as a result of the hedging strategies employed by the fund’s portfolio manager; however, there can be no guarantee that the hedging strategies will work as intended). The Private Equity Funds invest in the registered and unregistered equity and debt of a limited portfolio of companies, and have a higher degree of risk due to their illiquidity and lack of diversification. Please see Item 8 below for an additional description of the risks associated with investing in the Strategic Fund or the Private Equity Funds.

We may advise or sub-advise other private funds in the future.

Proprietary Accounts. Palisade may provide investment management services for proprietary accounts funded with seed capital of Palisade’s principals and/or other Palisade employees. Such accounts are utilized by the Firm to investigate and/or develop investment strategies that may be offered to Palisade’s clients in the future. Palisade’s principals and employees may also invest in

the Strategic Fund and in the general partners of the Private Equity Funds. Additionally, on August 1, 2012, Palisade established Palisade Associate Investment Fund, LLC (“PAIF”) as a private fund to serve as an investment vehicle for Palisade’s employees to invest in the Firm’s small-cap core equity, small-cap growth equity, and mid-cap growth equity investment strategies (each as described in Item 4 of this Brochure). PAIF generally trades alongside Palisade client accounts utilizing the “Block Trade” procedures described in Section B in Item 12 of this Brochure. Investment in PAIF is available solely to Palisade employees and their respective household family members (or entities owned or controlled exclusively by such employees and/or household family members). For purposes of the foregoing, “household family members” means the spouse (or the equivalent, e.g., domestic partner) and children of a Palisade employee who lives in the same residence as a Firm employee.

Palisade serves as the Managing Member of, and investment manager to, PAIF, and receives no management or performance fee in connection for providing such services. Please see Item 5 of this Brochure for more information.

Palisade’s management of a proprietary account, like PAIF, alongside client accounts creates numerous conflicts of interest. Please see Section F in Item 4, Item 10, and Section B in Item 11 of this Brochure for further information.

Distribution Management Services

Palisade offers specialized Distribution Management investment supervisory services for the benefit of investors in venture capital, private equity, and other limited partnerships. This Distribution Management service monitors the partnership holdings of limited partners in private partnerships and assists with research-based decisions on whether the in-kind distributions from such private partnerships should be sold or held for further investment return. In addition to the critical sell/hold decision, we offer specialized account administration and reporting for our Distribution Management clients. Due to the customized and client-specific aspects of our Distribution Management service, Palisade’s compensation for providing such services will be determined on a client-by-client basis and will usually consist of either a fixed dollar annual retainer, an asset based fee that does not exceed our standard advisory fee schedule, or a percentage of sale proceeds.

C. Availability of Tailored Services for Individual Clients

Palisade provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, Palisade may agree to tailor advisory services for separately managed accounts to the individual needs of its clients. For example, separately managed account clients may impose restrictions on investing in specific securities or certain types of securities.

D. Wrap Fee Programs

Our Firm provides investment management services as a portfolio manager to various sponsored programs under which a client enters into an agreement with a bank, a registered broker/dealer, or a financial service organization (“Wrap Fee Sponsors”) that may also be registered as an investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”). Such Wrap Fee Sponsors are not affiliated with Palisade. Under some programs, the Wrap Fee Sponsor charges clients a bundled fee (a “wrap fee”) based on a percentage of the market value of the account, which generally covers portions of or all services for: (i) selection or assistance in the selection of one or more investment advisers participating in the program, (ii) the investment adviser’s fee to manage the client’s portfolio on a discretionary basis, (iii) brokerage commissions, (iv) acting as custodian for the assets in the client’s portfolio which also includes providing the client with trade confirmations and regular statements, (v) periodic evaluation and comparison of account performance, and (vi) continuing consultation on investment objectives. These programs include separately-managed wrap fee accounts and non-discretionary model portfolios. Each wrap fee and model portfolio is designed to meet a particular investment strategy.

Palisade manages wrap fee accounts on a discretionary basis and “model” portfolios on a non-discretionary basis. Account management is generally pursuant to each Wrap Fee Sponsor’s stated investment strategy rather than on each client’s individual needs. However, some wrap account clients have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Such restrictions are agreed to between the wrap fee client and the Wrap Fee Sponsor.

For providing its services in connection with wrap fee programs, Palisade receives a portion of the wrap fee charged by the Wrap Fee Sponsor to wrap fee program clients.

Palisade’s investment recommendations for wrap accounts and model portfolios are generally consistent with our recommendations for Separately Managed Accounts utilizing the same strategy (as described above). One significant exception, however, is with regard to investors in wrap fee programs utilizing Palisade’s convertible securities investment strategy. Because of regulatory restrictions, such investors will not be eligible to accept allocations of “Rule 144A” securities, which are unregistered securities offerings that are available for purchase only by Qualified Institutional Buyers (“QIBs”). A QIB is an institution that manages at least \$100 million in securities including banks, savings and loans institutions, insurance companies, investment companies, employee benefit plans, or an entity owned entirely by qualified investors. As a result of this restriction, wrap accounts utilizing our convertible securities investment strategy may have a higher concentration of non-Rule 144A securities (and less diversification in the account generally), which results in additional risk to the portfolio. Information on the wrap-fee programs in which Palisade currently provides investment management services can be found in Schedule D to Palisade’s Form ADV, Part 1, which is available on the SEC’s website at www.adviserinfo.sec.gov.

E. Client Assets Under Management

As of December 31, 2011, Palisade had approximately \$3.371 billion of client assets under management. As of that date, Palisade managed \$3.256 billion on a discretionary basis and \$114.4 million on a non-discretionary basis.

F. Important Information Regarding Conflicts of Interest

Like every investment adviser, Palisade and our supervised persons are confronted with various actual or potential conflicts of interest when we provide our investment management services. For example, as noted below in Item 5 of this Brochure, Palisade receives both asset-based and incentive compensation (*i.e.*, performance-based fees) for managing different types of client accounts. The side-by-side management of accounts that are charged asset-based and/or incentive-based fees could create an opportunity for Palisade or its employees to receive greater fees or compensation from accounts or funds that have an incentive fee structure over accounts or funds that have an asset-based fee structure. As a result, Palisade or its employees may have an incentive to direct the best investment ideas to, or to allocate, aggregate or sequence trades in favor of, or to otherwise favor (whether in terms of better execution, brokerage commissions, directed brokerage, or otherwise), the account or fund that pays an incentive fee.

Additionally, conflicts of interest may arise from the differing investment strategies between a hedge fund and other clients. For example, a concurrent long/short position between the Strategic Fund and another client account may result in a loss to one client based on a decision to take a gain for the other. Client accounts also may be invested in different components of an issuer's capital structure (*e.g.*, different classes of securities of the same issuer, debt securities versus equity interests, senior versus subordinated debt, or privately versus publicly offered investments). Taking concurrent conflicting positions in certain derivative instruments also may result in a loss to one client and a gain for another client. Uncovered option strategies and significant positions in illiquid securities also may result in conflicts of interest for Palisade and its employees when managing incentive-fee accounts and funds side-by-side with asset-based fee accounts and funds.

Similar potential conflicts of interest to those described above regarding incentive fee accounts and funds arise when Palisade is managing proprietary accounts or funds for Palisade or its employees. Such proprietary accounts or funds include, but are not limited to, PAIF, in which employees and certain of their respective family members and family-owned businesses may invest (as described in Section B in Item 4 above). For example, Palisade and its employees may have an incentive to favor its proprietary accounts and funds over client accounts because of the financial interests that Palisade or its employees may have in such proprietary accounts.

Examples of other actual or potential conflicts of interest can include, for example:

- Conflicts relating to allocating time and resources between client accounts, and allocation of brokerage commissions, soft dollars, and investment opportunities generally. We have an incentive to favor proprietary accounts or client accounts with performance-based fees or other beneficial compensation arrangements. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 of this Brochure;
- Conflicts relating to investing client assets (including uninvested cash) in investment vehicles in which we, or our related persons, have an interest or serve as adviser or another service provider. We have an incentive to recommend these products. Please refer to Item 10 and Section B in Item 11 of this Brochure for further information;
- Conflicts relating to receipt of compensation or benefits, other than advisory fees. We have an incentive to favor non-clients that provide compensation (including, but not limited to, gifts and entertainment) to us over the interests of our clients. Please refer to Item 14 of this Brochure for further information;
- Conflicts relating to investing in securities recommended to clients and contemporaneous trading of securities (*i.e.*, personal trading) by Palisade and our related persons. We have an incentive to invest or trade in ways that benefit us, or our related persons, over the interests of our clients. Please refer to Item 11 of this Brochure for further information;
- Conflicts relating to cross trades between clients (where Palisade effects a purchase and sale of securities between client portfolios). We have an incentive to favor larger clients over smaller clients because of increased fees paid to Palisade by larger clients. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 of this Brochure;
- Conflicts relating to voting securities held in client accounts when we are delegated the authority to vote proxies. Conflicts may arise from time to time between the interests of Palisade, or our related persons, and our clients. Please refer to Item 17 of this Brochure for further information; and
- Conflicts of interest relating to entertainment, gifts, sitting on boards of directors/trustees, charitable contributions, political contributions, and other relationships with third parties. We have an incentive to favor those with whom we have these relationships. See Section A of Item 11 of this Brochure for further information on our Code of Ethics.

Actual or potential conflicts of interest generally can be addressed in a number of ways, such as one or more of the following, for example:

- Prohibition – we prohibit the conduct that gives rise to the conflict of interest (*e.g.*, insider trading is prohibited under our Code of Ethics);

- Waiver – we give a benefit received to a client (*e.g.*, when we sub-advise a mutual fund and invest client assets in that fund, we avoid charging the client two advisory fees);
- Delegation – we engage a third-party to act or make a decision (*e.g.*, we engage a proxy voting service);
- Isolation – we construct information barriers to prevent a person from gaining knowledge that gives rise to a conflict (*e.g.*, we may isolate a portfolio manager or analyst from certain material non-public information);
- Validation – we establish a benchmark for conduct that is designed to protect client interests or limit the benefit that creates the conflict of interest (*e.g.*, if two Palisade clients engage in a cross transaction, a third party broker-dealer will always be utilized to determine a fair price for the trade);
- Disclosure/Consent – we disclose the conflict of interest to our clients (*e.g.*, we require solicitors to provide disclosure regarding solicitation fees paid to them by Palisade); or
- Setting a De Minimis Threshold – we set a threshold for a benefit that is considered too small to influence conduct, and is therefore permitted (*e.g.*, we set limits on entertainment, gifts, and political contributions under our Code of Ethics).

Palisade has adopted a Code of Ethics as required under SEC rules (please refer to Section A of Item 11 of this Brochure for further information on our Code of Ethics.) Palisade also has policies and procedures in place to mitigate and address the above-referenced conflicts of interest. Palisade's policy is to manage incentive-based fee accounts and funds, as well as its proprietary accounts, consistent with applicable law and Palisade's management of other client accounts and funds. Palisade has policies and procedures in place which it believes are reasonably designed to treat clients fairly and seek to prevent clients from being systematically favored or disadvantaged. Our compliance policies provide for various auditing and testing of our policies and procedures, which are reviewed no less frequently than annually as required by SEC rules. Clients should refer to other sections of this Brochure noted above for more specific information on conflicts of interest and how they are addressed.

ITEM 5 FEES AND COMPENSATION

A. Advisory Fees and Compensation

General Information

Prospective clients are hereby advised that lower fees for comparable services may be available from other sources.

Palisade requires the following minimum account sizes for separately managed accounts in its investment strategies:

| <u>Investment Strategy</u> | <u>Minimum Account Size</u> |
|--|--------------------------------------|
| Small-, smid-, and mid-cap growth equities | \$5 million |
| Small cap core equities | \$3 million |
| Convertible securities | \$10 million |
| Convertible arbitrage | \$50 million |
| High Net Worth Separately Managed Accounts | \$3 million (aggregate relationship) |

With respect to any client investing in a pooled investment vehicle (such as the Strategic Fund, the Collective Funds, or any of the Private Equity Funds), please review the disclosure contained in each fund's offering memorandum, Declaration of Trust, or Disclosure Statement, as applicable, for any initial and/or additional subscription minimums.

Please note, however, that all minimum account size requirements are negotiable.

With respect to investment in the Mutual Funds, please refer to each Mutual Fund's prospectus for initial and additional investment requirements, including minimum investment amounts. Please note that each Mutual Fund's sponsor, and not Palisade, establishes the terms of investment in the Mutual Funds. Therefore, Palisade cannot negotiate such minimum investment requirements.

With respect to investment in the Collective Funds, please refer to each Collective Fund's Disclosure Statement and Declaration of Trust for initial and additional investment requirements, including minimum investment amounts. Please note that the SEI Trustee, and not Palisade, establishes the terms of investment in the Collective Funds. Therefore, Palisade cannot negotiate such minimum investment requirements.

If a client account size falls below the minimum requirement due to market fluctuations only, such client will not be required to invest additional funds with Palisade to meet the minimum account size.

Please note that certain of Palisade's clients entered into investment management agreements with the Firm prior to the adoption of the above-referenced minimum account size provisions. As a result, minimum account size requirements may differ among clients.

Asset-Based Compensation for Separately Managed Accounts

Palisade charges each client with a separately managed account (including individual High Net Worth managed accounts and institutional small-cap core equity, small-cap growth equity, smid-cap growth equity, mid-cap growth equity, and convertible securities managed accounts) an

annual investment management fee (the “Annual Fee”) based on the value of the client’s assets under management in accordance with the following fee schedule:

Small-cap core equity, Small-cap growth equity, and Smid-cap growth equity:

| <u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u> | <u>Assets in the Account</u> |
|---|------------------------------|
| 1.00% | First \$10,000,000 |
| 0.90% | Next \$20,000,000 |
| 0.80% | Next \$20,000,000 |
| 0.70% | Next \$50,000,000 |
| 0.60% | Next \$100,000,000 |
| 0.50% | Balance over \$200,000,000 |

Mid-cap growth equity:

| <u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u> | <u>Assets in the Account</u> |
|---|------------------------------|
| 1.00% | First \$10,000,000 |
| 0.80% | Next \$25,000,000 |
| 0.70% | Next \$25,000,000 |
| 0.60% | Next \$40,000,000 |
| Negotiable | Balance over \$100,000,000 |

Convertible securities:

| <u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u> | <u>Assets in the Account</u> |
|---|------------------------------|
| 1.00% | First \$10,000,000 |
| 0.75% | Next \$10,000,000 |
| 0.65% | Next \$20,000,000 |
| 0.55% | Balance over \$40,000,000 |

High Net Worth Separately Managed Accounts:

| <u>Investment Management Fee</u> <u>(as an Annual % of Assets)</u> | <u>Assets in the Account</u> |
|---|------------------------------|
| 1.25% | First \$10,000,000 |
| 1.00% | Next \$10,000,000 |
| 0.90% | Next \$10,000,000 |
| 0.75% | Next \$10,000,000 |
| 0.60% | Balance over \$40 million |

In general, investment management fees for High Net Worth separately managed accounts are charged each quarter in arrears and are based on the total market value of the assets in the client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents, and accrued interest) on the last day of the quarter, utilizing the pricing table above. If a new client account is established during a quarter, the investment management fee will be prorated for the number of days remaining in the quarter. “Prorated” means “proportional share”. For example, if an account was opened on the fifteenth day of a thirty day month, the “prorated” fee charged would be one-half (15/30) of the regular full monthly fee. If a client’s investment management agreement is terminated (or a withdrawal is made from a client account) during a quarter, the fee for the terminal period will be based on the value of all assets in the account as of the termination or withdrawal date, which will be the next earliest business day if the termination or withdrawal date is a non-business day.

Institutional small-cap core equity, small-cap growth equity, smid-cap growth equity, mid-cap growth equity, and convertible securities separately managed accounts may be billed on a quarterly basis either in advance or in arrears, depending on the agreement between the client and Palisade. The value of the assets under management upon which the investment management fee is based is calculated either by Palisade’s internal accounting system or by the client’s account custodian, and includes the account’s net unrealized appreciation or depreciation of investments and cash, cash equivalents, and accrued interest. Fees on accounts opened or closed during a quarter will be prorated as described above.

Performance-Based Compensation for Separately-Managed Accounts

Palisade offers performance-based compensation (“Performance-Based Fees”) as an alternative to, or in combination with, asset-based compensation for institutional small-cap core equity, small-cap growth equity, smid-cap growth equity, mid-cap growth equity, and convertible securities accounts. Performance-Based Fees are generally based on the difference between a client’s account performance and that of an appropriate index; however, Palisade and its clients may agree on alternative methods of calculating such Performance-Based Fees.

On a case-by-case basis, Palisade determines an appropriate fee structure based on the size, complexity, and investment objectives of the client’s account. Fee arrangements may include a combination of a management fee and performance fee, or may be solely limited to an asset-based management fee or a performance-based fee. The terms and conditions of the fee structure are agreed upon with our client prior to entering into an Investment Management Agreement but generally range from 10% to 20% of the account’s outperformance over a stated benchmark (subject to a “high water mark”), plus a fixed asset-based fee ranging from 0.35% to 2% of the account’s assets. A “high water mark” prevents client accounts from paying a Performance-Based Fee until the account’s value surpasses the asset value upon which previous Performance-Based Fees were charged. Actual fees will be disclosed to the client before entering into this type of arrangement and will be detailed in the client’s Investment Management Agreement with Palisade. Clients who elect to terminate their contracts with Palisade prior to the conclusion of a performance-fee measurement period will generally be charged a Performance-Based Fee based

on the performance of the account for the measurement period prior to the termination date and prorated from the date on which the Performance-Based Fee was previously assessed by Palisade; however, alternative fee calculations may be agreed upon between the Firm and the client. In measuring the client's assets for the calculation of Performance-Based Fees, Palisade generally includes the realized capital losses and unrealized capital losses of securities over the measurement period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period.

Performance-Based Fees are generally billed annually, in arrears, however Palisade may enter into customized pricing structures with clients on a case-by-case basis.

Palisade requires all clients to understand the proposed method of compensation payable to Palisade, and its risks, prior to entering into an Investment Management Agreement with the Firm. Accordingly, clients paying Performance-Based Fees are directed to Item 6 of this Brochure for more comprehensive disclosures, including potential conflicts of interest, resulting from this type of compensation.

To qualify for a Performance-Based Fee schedule, a client must either demonstrate a net worth of at least \$2,000,000 excluding their primary residence or must have at least \$1,000,000 under management with Palisade.

Please note that Performance-Based Fees may create an incentive for Palisade to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. **PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE ADVISERS ACT AND/OR APPLICABLE STATE REGULATIONS. PERFORMANCE-BASED FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.**

Wrap Fee and Model Portfolio Management Fees

The pricing schedule and general payment terms received by Palisade for investment management services for wrap fee accounts and model portfolios are set forth in the investment management agreement between Palisade and each Wrap Fee Sponsor. Palisade is generally compensated directly by the Wrap Fee Sponsor of each program on the basis of a fee calculated as a percentage of assets under management. This fee is negotiated between the Wrap Fee Sponsor and Palisade and depends on many factors, including but not limited to, the investment and/or trading strategy. Presently, Palisade collects investment management fees from Wrap Fee Sponsors ranging from 0.30% to 0.75% of assets under management per year, typically under a tiered fee structure as described above under "Asset Based Fees for Separately Managed Accounts". This range of fees also applies to non-discretionary "research provider programs" where Palisade provides its purchase and sale recommendations in the form of model securities portfolios to a Wrap Fee Sponsor but does not make trades on behalf of client accounts. To our knowledge, the highest wrap fee charged to clients by a Wrap Fee Sponsor is 3% annually;

however, exact pricing information for wrap fee and model accounts should be obtained directly from the Wrap Fee Sponsor.

Mutual Fund Management Fees

Palisade charges an asset-based fee for investment management subadvisory services provided to Mutual Funds. The fee arrangement, termination, and refund policies of each Mutual Fund are described in each Mutual Fund's prospectus and SAI. Palisade clients whose assets are invested by Palisade in any of the Mutual Funds advised or sub-advised by the Firm will pay only those fees charged to investors by the Mutual Fund and will not be charged an additional portfolio management fee for Palisade's services (*i.e.*, the value of the client's investment in the Mutual Fund will be excluded from our quarterly portfolio management fee calculation).

All fees paid to Palisade for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Collective Investment Fund Management Fees

Palisade charges an asset-based fee for investment management subadvisory services provided to Collective Funds. Please see each Collective Fund's Declaration of Trust and Disclosure Memorandum for complete information on fees and expenses charged by such Collective Fund (as summary of which is provided below). Palisade clients whose assets are invested by Palisade in any of the Collective Funds subadvised by the Firm will pay only those fees charged to investors in the Collective Fund and will not be charged an additional portfolio management fee for Palisade's services (*i.e.*, the value of the client's investment in the Collective Fund will be excluded from our quarterly portfolio management fee calculation). Clients may invest in the Collective Funds directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which Collective Fund or Funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the Collective Funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

All fees paid to Palisade by the SEI Trustee for investment advisory services are separate and distinct from the fees and expenses charged by Collective Funds to their investors. These fees

and expenses are fully described in each fund's Declaration of Trust and Disclosure Memorandum. Generally, each class of units ("Class") issued by a Collective Fund is subject to an annual management fee, accrued daily and paid monthly in arrears, for the trustee, management, and administrative services provided by the SEI Trustee (including fees paid to Palisade as investment adviser or other third party agents retained by the SEI Trustee). The SEI Trustee may also assess distribution fees or other sales charges. The management fee, which is payable to the SEI Trustee, is based on the total net assets as determined at the end of each preceding business day.

Hedge Fund, Private Equity Fund, Other Private Fund, and Convertible Arbitrage Managed Account Management Fees

Palisade generally charges clients investing in the Strategic Fund, the Private Equity Funds, and separately managed accounts utilizing the convertible arbitrage investment strategy an annual management fee of 2% of assets under management plus a Performance-Based Fee ranging from 20% to 27.5% of the account's outperformance over a stated benchmark (subject to a hurdle rate and high water mark), as further described in the Strategic Fund's and each Private Equity Fund's respective offering documents. Management fees for the Private Equity Funds are paid quarterly in advance, and management fees for the Strategic Fund and managed accounts utilizing the convertible arbitrage strategy are paid quarterly in arrears. Management fees are deducted from the gross amount invested by the client, while Performance-Based Fees are charged at the end of the measurement period to which such fee relates (generally annually at the end of the calendar year).

Palisade also serves as the Managing Member of, and investment manager to, PAIF, and receives no management or Performance-Based Fees in connection with providing such services. Additionally, Palisade will pay or reimburse each class of PAIF interests for any annual operating expenses in excess of 0.20% of such class's aggregate net asset value as of the last day of each calendar year.

Distribution Management Services Management Fees

Due to the customized and client-specific aspects of our Distribution Management service, Palisade's compensation for providing such services will be determined on a client-by-client basis and will usually consist of either a fixed dollar annual retainer, an asset based fee that does not exceed our standard advisory fee schedule, or a percentage of sale proceeds.

Limited Negotiability of Advisory Fees

Although Palisade has established the aforementioned fee schedule(s) and pricing structures, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the fee schedule. Relevant factors in pricing decisions include (but are not limited to) the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts from the client or

persons related to the client, portfolio style, account composition, and reports required by the client, among other factors. The specific annual fee schedule charged by Palisade will be identified in the Investment Management Agreement between Palisade and each client and/or Wrap Fee Sponsor, as applicable. Discounts not generally available to advisory clients may be offered to family members and friends of associated persons of our Firm. Once Palisade enters into an Investment Management Agreement with a client, Palisade will only modify its fee as permitted under that agreement and applicable law.

B. Payment of Fees

Palisade's clients (other than investors in the Strategic Fund) may elect to either have investment management fees (i) automatically deducted from their account or (ii) invoiced and paid by the client without automatic deduction. Strategic Fund investment management fees are automatically deducted from each investor's account as described in the Strategic Fund's confidential offering memorandum. Palisade typically deducts investment management fees from individual high net worth separately managed account clients on a quarterly basis by instructing the account's custodian to do so. For all investment strategies other than individual high net worth separately managed accounts, Palisade typically does not deduct the investment management fee from client accounts. Rather, the Firm invoices such clients on a quarterly basis.

C. Other Fees and Expenses

In addition to paying investment management fees and, if applicable, Performance-Based Fees, separately managed account clients will also generally be subject to other investment expenses such as custodial charges, brokerage fees, commissions, interest expenses, taxes, duties and other governmental charges, transfer and registration fees or similar expenses, and costs associated with foreign exchange transactions, among other portfolio expenses. Further, client assets may be invested in mutual funds, other registered investment companies, or ETFs. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to Palisade (except in the case of investments in Palisade-subadvised Mutual Funds or Collective Funds, for which no investment management fee will be charged to the client as discussed above). Please refer to Item 12 of this Brochure for additional information on Palisade's brokerage practices.

Clients participating in wrap fee and model portfolio programs may be charged various program fees in addition to the advisory fee charged by our Firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage, and custodial services. Client portfolio transactions may be executed by the Wrap Fee Sponsor without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee

may or may not exceed the aggregate cost of such services if they were to be provided separately.

Clients that invest in pooled investment vehicles (such as the Strategic Fund and the Private Equity Funds) will bear their pro rata share of the fund's operating and other expenses including, in addition to those listed above, sales expenses, legal expenses, internal and external accounting, audit and tax preparation expenses, and organizational expenses.

The Strategic Fund utilizes a master-feeder structure. Feeder funds (such as Palisade Strategic Fund (Domestic) LLC and Palisade Strategic Fund (Cayman) Limited) bear a pro rata share of the expenses associated with the related master fund (in this case, Palisade Strategic Master Fund (Cayman) Limited).

Palisade's convertible arbitrage strategy utilizes a trading strategy with a high portfolio turnover (relative to non-trading driven investment strategies), and as a result of such turnover, transaction costs could be significant. Such costs will offset client profits. The convertible arbitrage strategy may also use margin and leverage to make investments when the portfolio manager believes that the potential return of an investment is particularly favorable. The use of leverage has significant risks and can substantially increase the adverse impact to the convertible arbitrage portfolios. In addition, to the extent the convertible arbitrage strategy employs leverage, it is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Brochure for a discussion of Palisade's brokerage practices.

D. Prepayment of Fees

Some Palisade clients may be required to pay the Firm's investment management fees in advance, as set forth in the terms of their Investment Management Agreement with Palisade. Clients may obtain a refund of a pre-paid fee by check or wire transfer if their Investment Management Agreement with Palisade is terminated or a withdrawal is made from the account before the end of the billing period. Palisade will generally determine the amount of the relevant refund by pro rating the fee for the number of days the assets were managed, based on the value of all assets in the account as of the effective date of termination or withdrawal, which will be the next earliest business day if the effective date of termination or withdrawal is a non-business day. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

E. Additional Compensation

Neither Palisade nor any of its employees receive or accept compensation for the sale of securities or other investment products. However, the Firm may compensate Palisade employees for their assistance in bringing a new client or account to the Firm.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Palisade and its investment personnel provide investment management services to multiple portfolios for multiple clients. As we disclosed in Item 5 of this Brochure, Palisade may contract with clients for Performance-Based Fees for the Strategic Fund, the Private Equity Funds, and certain other client accounts. In addition, many of Palisade's investment personnel are compensated on a basis that includes a performance-based component. The Firm and its investment personnel, including investment personnel that share in Performance-Based Fees, manage both client accounts that are charged Performance-Based Fees and accounts that are charged an asset-based fee, which is not a Performance-Based Fee. In addition, certain client accounts may have higher asset-based fees or more favorable Performance-Based Fee arrangements than other accounts. When Palisade and its investment personnel manage more than one client account, a potential exists for one client account to be favored over another client account.

Clients should be aware that Performance-Based Fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Palisade and its investment personnel have a greater incentive to favor client accounts that pay the Firm (and indirectly Palisade's investment personnel) Performance-Based Fees or higher fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

Palisade has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. Palisade reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, Palisade's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size, using equivalent investment weightings, giving consideration to client restrictions, liquidity requirements, and available cash in the accounts, and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, Palisade's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by Palisade's Chief Compliance Officer and the entire Palisade compliance department. Reference should be made to Section F in Item 4 of this Brochure for further information on conflicts of interest resulting from Performance-Based Fees, as well as other conflicts of interest, and how they are addressed. Additionally, please see Item 12 of this Brochure for a description of Palisade's brokerage practices.

ITEM 7 TYPES OF CLIENTS

Palisade generally provides investment advisory services to the following types of clients:

- High net worth individuals
- Investment companies (including mutual funds)
- Collective Investment Trusts
- Pension and profit sharing plans (other than plan participants)
- Other pooled investment vehicles (*e.g.*, hedge funds)
- Trusts and estates
- Charitable organizations, endowments, and foundations
- Corporations or other businesses not listed above
- Trust companies, broker-dealers, and banks
- Insurance companies
- Wrap account clients

As previously disclosed in Item 5 of this Brochure, our Firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided.

With respect to any client investing in a pooled investment vehicle (such as the Mutual Funds, Collective Funds, Strategic Fund, PAIF, or any of the Private Equity Funds), please review the disclosure contained in each fund's offering memorandum, prospectus, Declaration of Trust or Disclosure Memorandum (as the case may be) for any initial and/or additional subscription minimums.

We require clients to enter into an Investment Management Agreement with Palisade. We also may request clients to provide proof of authority, directed trading letters (if the client requests directed trading), qualified purchaser or accredited investor letters/certificates, or other information to allow us to manage client assets.

Palisade may be restricted by the securities laws of jurisdictions outside the U.S. from managing the assets of certain clients living or located in such jurisdictions.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

Palisade utilizes a variety of methods and strategies when formulating our investment advice and/or managing client assets. Our methods of analysis may include:

- **Fundamental Analysis.** We invest in companies with superior growth, return, and risk characteristics that we believe are not fully reflected in the current price of the security.

Our fundamental research focuses on each company's business model, management, financial condition, and industry trends. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

- **Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk of utilizing qualitative analysis is that our subjective judgment may prove incorrect.
- **Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.
- **Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- **Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.
- **Risks for all Forms of Analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Palisade utilizes the investment strategies described in Section B of Item 4 of this Brochure when managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Palisade also may implement other customized investment strategies as developed or requested by clients.

For further information on applicable investment strategies and related risks, clients also should refer to:

- Any presentations, investment guidelines, marketing materials, or other documents provided to, or discussions held with, the client, or to any investment guidelines provided

by the client (or, in the case of wrap fee program clients, provided in the Wrap Fee Sponsor's brochure or other program documentation); and/or

- For a mutual fund, collective fund, or other pooled investment vehicle, the prospectus or other offering/disclosure document for the mutual fund, collective fund, or other investment vehicle.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies

Palisade utilizes a variety of implementation strategies when managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Unless specifically indicated otherwise below, the following material risks relate to each of the investment strategies that we offer:

Investment and Trading Risks in General; Risk of Loss. Investing in securities involves risk of loss that clients should be prepared to bear. All investments involve risks, including the risk that the entire amount invested may be lost. Securities investments are not guaranteed and you may lose money on your investment. No guarantee or representation is made that a client's investment objective will be achieved or that any specific level of performance will be obtained. Past performance is not indicative of future results. Palisade may utilize certain investment techniques and practices that can, in certain circumstances, increase the adverse impact to which an investment portfolio may be subject.

Securities Believed to Be Undervalued or Incorrectly Valued. Securities that Palisade believes are fundamentally undervalued or incorrectly valued may not ultimately be correctly valued in the capital markets at prices and/or within the time frame Palisade anticipates. As a result, client portfolios may lose all or substantially all of their investment in any particular instance.

Interest Rate Risks. Generally, the value of fixed income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. The risk is greater for long-term securities than for short-term securities.

Long-term purchases. Palisade may purchase securities with the idea of holding them in a client's account for a year or longer. Typically we employ this strategy when we believe the securities to be currently undervalued, and/or when we want exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, Palisade purchases securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

Convertible Arbitrage. The convertible arbitrage strategy presents certain market and other risks, such as the risk that a lack of volatility in the market would result in fewer price anomalies to exploit. The convertible arbitrage strategy uses trading strategies involving a higher degree of risk such as short selling and options (each as further described below). In general, the sensitivity of the price of a convertible security to changes in the price of the underlying stock, commonly known as its delta, is less than one. Thus, if a common stock rises by a certain percentage, the related convertible security should rise by less. Equally, if a common stock declines, the convertible security should fall by a lesser amount. A convertible arbitrage strategy generally further reduces the effect of overall market appreciation or depreciation (market risk) on a given equity security and corresponding convertible debt instrument as a result of the offsetting nature of the matched positions. Nevertheless, a convertible arbitrage strategy will still be sensitive to price changes in the underlying security markets. Convertible arbitrage is, in essence, a defensive strategy, as it forsakes some of the benefit of a rising market in order to be protective in a declining market. Assuming the underlying convertible issue remains creditworthy, at some point its income or redemption characteristics become more important determinants of its price and further limit its decline relative to the underlying equity.

There are a number of other potential risks associated with convertible arbitrage. Normally, because of its additional yield characteristics, it is necessary for a buyer of convertibles to pay a conversion premium over the underlying equity. There are circumstances when the conversion premium can erode more quickly than anticipated, such as when a takeover bid is announced for the underlying equity or, on occasion, when the convertible security is redeemed. Any one of these factors could prove detrimental to a convertible arbitrage portfolio's value or its liquidity. Liquidity of convertibles is not always assured, and there can be periods of temporary market dislocation when prices and arbitrage positions may be distorted.

Additional risks attendant to the convertible arbitrage strategy may include:

- **Short Selling of Securities.** Palisade's convertible arbitrage strategy engages in short selling of securities. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the convertible arbitrage strategy engages in short sales will depend upon Palisade's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the portfolio of buying those securities to cover the short position. There can be no assurance that the portfolio will be able to maintain the ability to borrow securities sold short. In such

cases, the portfolio can be “bought in” (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

- **Leverage; Interest Rates; Margin.** Palisade’s convertible arbitrage portfolios may borrow money to make investments when Palisade believes that the potential return of an investment is particularly favorable. The use of leverage has attendant risks and can substantially increase the adverse impact to which the investment portfolio may be subject. In addition, to the extent a portfolio uses leverage, it is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.
- **Hedging Transactions.** Palisade is not required to attempt to hedge portfolio positions in any of its portfolios (other than in its convertible arbitrage portfolios, which are always hedged) and, for various reasons, may determine not to do so. Furthermore, Palisade may not anticipate a particular risk so as to hedge against it. Convertible arbitrage portfolios may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes, in order to seek to: (i) protect against possible changes in the market value of the portfolio’s investments resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the portfolio’s investments; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investments in the portfolio; or (v) hedge the interest rate or currency exchange rate on any of the portfolio’s liabilities or assets. Hedging transactions also may be utilized for any other reason that Palisade deems appropriate.

The success of the hedging strategy of the convertible arbitrage portfolios is subject to Palisade’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many instruments change as markets change or time passes, the success of the convertible arbitrage portfolios’ hedging strategy is also subject to Palisade’s ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While certain portfolios may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the portfolio than if it had not engaged in any such hedging transactions. For a variety of reasons, Palisade may not seek to establish a perfect correlation between such hedging instruments and the portfolio’s holdings being hedged. Such imperfect correlation may expose the portfolio to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the portfolio’s holdings.

Counterparty Risk. Some of the markets in which Palisade may effect transactions for its clients' portfolios (in all of its investment strategies) are non-cleared "over-the-counter" or non-cleared "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such non-cleared "over-the-counter" transactions. This exposes the portfolios to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the portfolio to suffer a loss. Portfolios are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty.

Highly Volatile Markets. The prices of derivative instruments, including futures and option prices, can be highly volatile. Price movements of derivative contracts in which a portfolio's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures, and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Portfolios are also subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses.

Illiquidity of Investments. Palisade's Private Equity Funds invest a large portion of their assets in instruments that are not publicly traded instruments and, in some cases, may be contractually prohibited from disposing of such instruments for a specified period of time. Other investment strategies may buy securities that while liquid at the time of purchase become less liquid over time. Accordingly, the Private Equity Funds and client accounts in other investment strategies managed by Palisade may be forced to sell their more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid instruments.

Frequent Turnover. Palisade's convertible arbitrage strategy utilizes a trading strategy with a high portfolio turnover. Palisade's other investment strategies may utilize trading strategies from time to time resulting in higher portfolio turnover. As discussed under Item 5 of this Brochure, a client account pays transaction costs, such as commissions, when securities are bought and sold for the account (or an account's portfolio "turns over"). As a result of high portfolio turnover, transaction costs could be higher (and even significant), and taxable accounts may incur adverse tax consequences. These factors will offset client profits and affect a client's account performance.

C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks)

Equity Securities. All of Palisade's investment strategies (with the exception of fixed income high net worth managed accounts that specifically prohibit the ownership of equity securities) engage in the purchase and sale of equity (or equity-linked) securities. Equity (and equity-linked) securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, and general economic environments. Investment strategies trading in equities face the risk that a stock's price will decline because the issuing company does not perform according to projections or the economy in general declines. Smaller to mid-capitalization companies are typically subject to a greater degree of change in earnings and business prospects than are larger, more established companies, and are therefore considered to have a higher level of volatility and risk. In addition, equities in general can be affected by changes in interest rates, general market conditions, and other political, social, economic, and environmental developments.

Fixed Income and Debt Securities. Certain high net worth, convertible securities, and convertible arbitrage separately managed accounts, as well as the Strategic Fund, use fixed income securities (including government and municipal securities) extensively as part of their trading strategy. Portfolios with high concentrations of fixed income securities have the risk that interest rates will increase, and the value of outstanding bonds (including both corporate and government bonds) will then decrease. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. There is also the risk that the return on the portfolio will not keep up with inflation, thereby eroding purchasing value. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline.

Real Estate Investment Trusts ("REITs"). Palisade may purchase REITs in all of its investment strategies. REITs in which Palisade invests client accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that those REITs concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

Convertible Securities. Palisade may utilize convertible securities in its convertible securities, convertible arbitrage, and high net worth managed account strategies. The risks of investing in convertible securities include all of the above-referenced risks that affect the underlying stocks

issued by a company, as well as the risk of rising interest rates (credit risk) and issuing company default risk.

Private Equity Securities; Illiquid Instruments. The Private Equity Funds invest in the registered and unregistered equity and debt (including convertible securities) of a limited portfolio of companies, and have a higher degree of risk due to their illiquidity and lack of diversification. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and Palisade's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for Palisade to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio. Palisade's convertible and convertible arbitrage strategies may invest in "Rule 144A" securities which may have restrictions on resale (and therefore be less liquid than other types of securities).

Master Limited Partnerships ("MLPs"). Certain of Palisade's institutional and high net worth separately managed accounts own MLPs in their portfolios. MLPs are publicly traded partnerships that own stable cash flow producing assets like oil and gas storage facilities and pipelines. Palisade may purchase MLPs for its clients' accounts because of the partnerships' relatively high current yield and the tax-advantaged nature of their cash distributions. MLPs' values are subject to a number of factors including the cash splits between the partnerships' managers and their limited partners. MLP valuations are also subject to interest rate changes as higher rates can negatively affect MLP values. In addition, owners of MLPs are subject to special tax reporting requirements, which can often present special burdens for investors and/or their financial representatives.

Call Options. Palisade's convertible arbitrage strategy and certain institutional and high net worth separately managed accounts utilize call options in their trading process. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the purchase price of the underlying instrument offset by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money. We use "covered calls", in which Palisade sells an option on a security owned by a client. In this strategy, the client receives a premium (*i.e.*, a fee) for selling the option contract, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price for a specific time period. We also use a "spread strategy", in which Palisade buys or sells two or more option contracts (for example, a call option that a client buys and a call option that a client sells) for the same underlying security. This technique effectively puts the client on both sides of the market, but with the ability to vary price, time, and other factors.

Put Options. Palisade's convertible arbitrage strategy and certain high net worth separately managed accounts may utilize put options in their trading process. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sale price of the short position of the underlying instrument offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

Other Derivative Instruments. Palisade's convertible arbitrage portfolios may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both legally permissible and consistent with the investment objective of the Strategic Fund (and other separately managed accounts utilizing the convertible arbitrage investment strategy). Special risks may apply to instruments in which portfolios may invest in the future that cannot be determined at this time or until such instruments are developed or invested in by the portfolios. Certain swaps, options, hybrid instruments, and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Pooled Investment Vehicles. As discussed above, when permitted, Palisade may invest client assets in Mutual Funds and ETFs as an efficient means of carrying out our investment strategies and seeking diversification for client portfolios. The value of an investment in a Mutual Fund or ETF may vary depending upon the performance of the underlying pool of investments held by the Mutual Fund or ETF, the fees and expenses charged by the Mutual Fund or ETF, and other factors. Mutual Funds may include closed-end investment companies the shares of which are traded on exchanges and may trade at, above or below the Mutual Fund's net asset value. Mutual Funds also may include open-end investment companies, the shares of which are redeemable from the Mutual Fund at the Mutual Fund's net asset value. Mutual Funds also may include money market mutual funds, the shares of which are redeemable from the Mutual Fund and intended to maintain a stable net asset value under current regulation, although there are money market reforms pending that may permit or require a fluctuating net asset value per share or other reforms to money market funds. ETFs are traded on exchanges or on the over-the-counter market, and the shares may trade at, above, or below their net asset value. With respect to closed-end Mutual Funds and ETFs, investors typically pay only customary brokerage fees to buy and sell shares. When shares are traded on an exchange, an active trading market for shares may not develop or be maintained, and trading of the shares may be halted if the listing exchange's officials deem such actions appropriate, the shares are delisted from the exchange or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. An investment in a Mutual Fund or ETF invested in by Palisade on behalf of clients generally will have the same primary risks as the investment

strategy that Palisade is utilizing to manage the client's account for which a Mutual Fund or ETF is purchased by Palisade. The risks of investing in Mutual Funds and ETFs are described fully in their prospectuses and other offering documents. Like other investments, it is possible to lose money by investing in a Mutual Fund or ETF.

ITEM 9 DISCIPLINARY INFORMATION

Our Firm and our management personnel have no reportable disciplinary events to disclose.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

Our Firm and our related persons are not registered as a broker-dealer or registered representatives of any broker-dealer (and no applications are pending for such registrations) and we have no other industry affiliations with broker-dealers.

B. Commodities-Related Registration

Our Firm and our related persons are not registered as a futures commission merchant, commodity pool operator, or commodity trading advisor, or associated persons of any futures commission merchant, commodity pool operator, or commodity trading advisor (and no applications are pending for such registrations). We have no other industry affiliations with futures commission merchants, commodity pool operators, or commodity trading advisors.

C. Material Relationships or Arrangements with Industry Participants

Related Person a General Partner in Partnership in Which Clients Maybe Solicited to Invest

Certain of Palisade's principals and employees are equity holders in Palisade Private Holdings, LLC, Palisade Private Holdings II, LLC, Palisade Concentrated Holdings, LLC, and Palisade Concentrated Holdings II, LLC, which each serve as the general partners of the Private Equity Funds. Additionally, Palisade serves as the investment adviser to each of the Private Equity Funds and to the Strategic Fund. Firm employees and principals are direct and indirect investors in the Strategic Fund and the Private Equity Funds. The relationship between Palisade, its principals and employees, on one hand, and the Strategic Fund and the Private Equity Funds, on the other hand, create material conflicts of interest with Palisade's clients because Palisade and its professionals may be motivated to recommend partnership investments involving more risk in order to maximize the potential return to Palisade or its related persons (to the possible detriment of our clients). Please refer to Section B in Item 11 of this Brochure for additional information.

Palisade has taken several important actions to address the aforementioned conflicts of interest.

First, Palisade has appointed J.P. Morgan Clearing Corp. (“JPMCC”) and Merrill Lynch Professional Clearing Corp. (“MLPCC”) to serve as independent custodians to hold the funds and securities of the Strategic Fund. JPMCC also serves as an independent custodian to hold the funds and securities of the Private Equity Funds. Palisade may appoint additional custodians in the future, but neither Palisade nor Palisade affiliates will ever take physical custody of client assets in the Strategic Fund or the Private Equity Funds. In addition, Palisade has engaged independent fund administrators to review and authorize the transfer of funds and securities in and out of the Strategic Fund and Private Equity Funds, as well as an accounting firm registered with the Public Company Accounting Oversight Board (“PCAOB”) to perform annual audits of each of the funds.

Palisade employs stringent cash controls with regard to the funds as well. The Firm may withdraw funds from the Strategic Fund or the Private Equity Funds in only two instances: (i) for payment of management and Performance-Based Fees and expenses owed to Palisade, and (ii) for withdrawal of funds from Palisade’s capital account on the same basis as limited partners.

Each time Palisade requests payment of its advisory fees or seeks reimbursement of fund expenses, and each time a fund’s general partner or investment manager (as the case may be) desires to withdraw any Performance-Based Fees allocated to its capital account, Palisade prepares and presents to the fund administrator supporting documentation that clearly states the amount of the management or Performance-Based Fee to be withdrawn, as the case may be, the value of the assets or gain on which the fee or allocation was calculated, and the manner in which the fee or allocation was calculated. Palisade also provides documented evidence of all expenses to be reimbursed by the funds. The fund administrators review each invoice to verify that the expenses are appropriate, and that the management and Performance-Based Fee were calculated in accordance with the documents governing such payments. Fund custodians may only transfer funds or securities to Palisade for payment of management fees or for partial redemption of Palisade’s capital investment only after receiving written authorization from the appropriate fund administrator.

Each of the Strategic Fund and Private Equity Funds for which Palisade and/or its principals and employees serves as general partner or investment manager has and may in the future enter into agreements, or “side letters,” with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the partnership or fund. For example, such terms and conditions may provide for special rights to make future investments in the partnership, other investment vehicles, or managed accounts; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or shareholder; rights to receive reports from the partnership on a more frequent basis or that include information not provided to other limited partners or shareholders (including, without limitation, more detailed information regarding portfolio positions); and such other rights as may be negotiated by the partnership or fund and

such limited partners or shareholders. The modifications are solely at the discretion of the partnership or fund and may, among other things, be based on the size of the limited partner's or shareholder's investment in the partnership or fund or affiliated investment entity, an agreement by a limited partner or shareholder to maintain such investment in the partnership or fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the partnership or fund.

Employee Investment Fund

Palisade serves as the Managing Member of, and investment manager to, PAIF, a private fund. Palisade established PAIF as a private fund to serve as an investment vehicle for Palisade's employees and certain of their respective family members and family-owned businesses to invest in the Firm's small-cap core equity, small-cap growth equity, and mid-cap growth equity investment strategies (each as described in Item 4 of this Brochure). PAIF generally trades alongside Palisade client accounts utilizing the "Block Trade" procedures described in Section B in Item 12 of this Brochure. Palisade's management of a proprietary account, like PAIF, alongside client accounts creates numerous conflicts of interest. Please see Section F in Item 4 and Section B in Item 11 of this Brochure for further information.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Palisade does not recommend or select other investment advisers for our clients.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Code of Ethics and Personal Trading

Palisade has adopted a Code of Ethics (the "Code") that obligates the Firm and its employees to put the interests of our clients before their own personal interests and to act honestly and fairly in all respects in their dealings with clients. The Code sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. The Code imposes restrictions on the purchase or sale of securities for our employees' own accounts and the accounts of certain affiliated persons. Our policy also imposes certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any of Palisade's principals or employees. The Code prohibits the receipt of gifts of more than a de minimis value, or excessive business entertainment. Clients or prospective clients may obtain a copy of the Code by contacting Bradley R. Goldman, Esq., Palisade's General Counsel & Chief Compliance Officer, by email at bgoldman@palcap.com or by telephone at (201) 585-7733.

The Code is based on the general principle that employees shall at all times place the interests of our clients first, and that employees shall seek to avoid any actual or potential conflicts of interest. To accomplish this objective, the Code requires the pre-clearance of personal trades and political contributions, as well as the reporting of all personal securities transactions, except transactions in unaffiliated investment company securities or other exempt securities. The Code also requires the disclosure of personal holdings upon hiring of a new employee, and annually thereafter, as well as all outside business activities. Our Code includes oversight, enforcement, and recordkeeping provisions.

Palisade and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. Our Code is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Palisade has established a Conflicts of Interest Committee to address and monitor situations that may arise.

Please see Part C of this Item 11 for additional detail on the personal trading restrictions contained on our Code.

Our Firm, in the course of its investment management and other activities (*e.g.*, board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which Palisade or its related persons have invested or seek to invest on behalf of clients. Palisade is prohibited from improperly disclosing or using such information for our own benefit or for the benefit of any other person, regardless of whether such other person is a client. Our Firm maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that Palisade is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, Palisade may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell, or hold a security, but Palisade will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Firm will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that Palisade possesses such information), or not using such information for the client's benefit, as a result of following Palisade's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

B. Client Transactions in Securities where Palisade has a Material Financial Interest

Palisade serves as the investment adviser to the Strategic Fund, the Collective Funds, and the Private Equity Funds, which are pooled investment vehicles (some of which are offshore investment vehicles for non-US taxpayer clients) for which Palisade solicits client investments. In addition, certain of Palisade's principals and employees are equity holders in Palisade Private Holdings, LLC, Palisade Private Holdings II, LLC, Palisade Concentrated Holdings, LLC, and

Palisade Concentrated Holdings II, LLC, which each serve as a general partner of the Private Equity Funds. Further, certain of Palisade's principals and employees are direct or indirect investors in the Strategic Fund and the Private Equity Funds, as well as in PAIF.

Palisade Capital Advisors, LLC ("PC Advisors") is a wholly-owned subsidiary of Palisade that may provide management consulting services to portfolio companies owned by the Private Equity Funds. PC Advisors will collect a fee from private equity portfolio companies for these services, which may be calculated by various methods. Such fees will then be allocated among Palisade and its affiliates, on one hand, and the Private Equity Funds' limited partners, on the other hand, in accordance with the terms of each Private Equity Fund's limited partnership agreement. Investors in the Private Equity Funds will not incur additional fees for the services of PC Advisors. Palisade may have a conflict of interest as a result of the activities of PC Advisors because fees paid to PC Advisors may diminish the amount of proceeds or revenues available for distribution to the Private Equity Funds' limited partners.

Palisade and its principals and employees will devote to the Strategic Fund, the Collective Funds, and Private Equity Funds as much time as we deem necessary and appropriate to manage their business. Palisade and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships, or engaging in other business activities, even though such activities may be in competition with the Strategic Fund, the Collective Funds, and the Private Equity Funds and/or may involve substantial time and resources of our Firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Strategic Fund, the Collective Funds, and the Private Equity Funds, but could be allocated between the business of the Strategic Fund, the Collective Funds, the Private Equity Funds, and other of our business activities and those of our affiliates.

The practices described above create a conflict of interest because Palisade and/or its principals and employees have an incentive to recommend that Palisade clients invest in the Strategic Fund, the Collective Funds, the Private Equity Funds, and/or other investment partnerships managed by Palisade or its affiliates based on their own financial interests, rather than solely the interests of our clients. Further, clients investing in the Strategic Fund, the Collective Funds, and the Private Equity Funds will pay significantly different fees than Palisade's principals and employees pay for comparable services (as Palisade generally waives all investment management and Performance-Based Fees for Palisade principal and employee investments in the Strategic Fund and the Private Equity Funds). Additionally, Palisade does not charge any investment management or Performance-Based Fees to PAIF.

Palisade has adopted a variety of policies to address these conflicts of interest, as follows:

- When investing in the Strategic Fund, Palisade's principals and employees receive a separate class of interests that are deemed ineligible to receive allocations of new issues of equity securities. The procedure ensures that all initial public offering securities are reserved exclusively for our clients.

- Investors in the Strategic Fund receive disclosure to the effect that Palisade and its affiliates may provide management services for other separately managed accounts with similar or identical investment objectives, and that Palisade's future activities may give rise to other conflicts of interest.
- Palisade will not advise any client to purchase interests in securities owned by Palisade, or any person or entity affiliated with the Firm, other than through a related entity such as the Strategic Fund, the Collective Funds, or the Private Equity Funds. Investments in the Strategic Fund, the Collective Funds, and the Private Equity Funds will only be recommended to advisory clients for whom a partnership (or pooled) investment may be more suitable than would a separately managed account.
- Clients that invest in the Strategic Fund, the Collective Funds, or the Private Equity Funds are not charged any additional advisory fees other than the advisory fee specifically allocated to investors in such funds.
- To ensure complete transparency with regard to the affairs of the Strategic Fund, the Collective Funds and the Private Equity Funds, Palisade (or the SEI Trustee with regard to the Collective Funds) has engaged the services of unaffiliated third-party fund administrators and auditors that handle the administrative matters of the funds.

C. Investing in Securities Recommended to Clients

As noted above, Palisade's principals and employees may invest in the same securities (or related securities, *e.g.*, warrants, options, or futures) that the Firm recommends to clients (including through investment in PAIF). Such practices present a conflict where, because of information in Palisade's possession, the Firm or its principals or employees are in a position to trade in a manner that could adversely affect clients (*e.g.*, place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Firm's or its principals' and employees' objectivity, these practices by the Firm or its related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. Palisade has adopted the following procedures in an effort to minimize such conflicts:

- Palisade requires all of its principals and employees to preclear all securities trading transactions in their personal accounts with the Firm's compliance department, which may deny permission to execute the transaction if such transaction will have any adverse economic impact on any Firm client.
- Palisade's Code prohibits the Firm or any of its principals or employees from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Firm's compliance department. Please refer to Section A in this [Item 11](#) for further information on our Code.

- Firm employees may buy for their personal account the same securities that are recommended to client accounts; however, there is a three day waiting period after the Firm has finished purchasing the securities for clients before an employee may trade.
- Firm employees may not sell for their personal accounts the same securities that are held in client accounts until all of such securities have been sold in client accounts. There is a one-day-per-year exception to this rule, known as “Tax Sale Day”, when employees may sell securities in their personal accounts while the same securities are owned in client accounts.
- All of the Firm’s related persons are required to certify their securities transactions on at least a quarterly basis and holdings on an annual basis. All of Palisade’s related persons are also required to provide broker confirmations of each transaction in which they engage on at least a monthly basis and provide an annual certification of such transactions.
- Trading in employee accounts is reviewed by the Firm’s compliance department and compared with transactions for our client’s accounts.
- To the extent that a Palisade principal or employee owns securities that the Firm or its affiliates also recommend to clients, such clients’ proxies will be voted according to predetermined guidelines rather than subject to Palisade’s (or its related person’s) discretion. Please refer to Item 17 of this Brochure for further information regarding Palisade’s proxy voting policy and procedures.
- PAIF is likely to trade securities at the same time as client accounts. Any such trades may be included in a Block Trade (as discussed below in Section B in Item 12 if this Brochure (“Order Aggregation”)), and share in the allocation and commissions of such trades on a pro-rata basis. However, PAIF is not eligible to participate in initial public offerings.

D. Conflicts of Interest Created by Contemporaneous Trading

Palisade’s Code prohibits the Firm’s principals and employees from transacting in securities in their personal accounts at or about the same time as the same securities are being transacted in client accounts. As noted above, the Firm has implemented a three-day “blackout period” to minimize the potential conflict of interest stemming from situations where contemporaneous trading results in an economic benefit to Palisade or its principals or employees to the detriment of our clients. Notwithstanding the foregoing, PAIF, which is managed by Palisade, may trade in securities at the same time as other client accounts.

ITEM 12 BROKERAGE PRACTICES

A. **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

Absent client direction to the contrary, Palisade selects broker-dealers for trade execution which, in its best judgment, provide best execution for that trade at favorable security prices and reasonable commission rates. The best net price, giving effect to brokerage commission and other costs, is an important factor in this decision, but a number of other factors also may enter into the decision. These factors may include, among others:

- knowledge of negotiated commission rates currently available;
- the nature of the security being traded;
- the size and complexity of the transaction;
- the desired timing of the trade;
- the activity existing and expected in the market for the particular securities;
- confidentiality; and
- the execution, clearance, and settlement capabilities, financial condition, and other relevant and appropriate services of the broker-dealer.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, Palisade does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. For those trades that are executed at rates above "execution only" commission rates, clients may be deemed to be paying for research, brokerage, or other services provided by a broker-dealer which are included in the commission rate. Palisade's "Best Execution Committee", comprised of investment, trading, and compliance personnel, reviews these foregoing factors on at least a quarterly basis.

Research and Other Soft Dollar Benefits

Palisade may receive benefits other than execution from various broker-dealers in connection with client securities transactions. This is known as a "soft dollar" relationship. Consistent with its duty to seek best execution, Palisade may direct client orders to broker-dealers in recognition of research and/or order execution services furnished by them, consistent with Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) have been, and may continue to be, received in the form of:

- written reports;
- telephone contacts;
- attendance at certain seminars and conferences; and
- personal meetings with security analysts, economists, government representatives, and corporate and industry spokespersons.

In some cases, research services that are generated by third parties may be provided by or through broker-dealers. This research generally provides information necessary to formulate investment decisions, and covers securities, industries, sectors, and the general economy. Brokerage services within Section 28(e) have included, and may continue to include:

- services related to the execution, clearing, and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians);
- trading software operated by a broker-dealer to route orders;
- software that provides trade analytics and trading strategies;
- software used to transmit orders;
- clearance and settlement in connection with a trade;
- electronic communication of allocation instructions;
- routing settlement instructions;
- post-trade matching of trade information;
- services required by the SEC or a self regulatory organization such as comparison services, electronic confirms, or trade affirmations; and
- other permissible services.

Clients may pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (which is commonly referred to as “paying up”).

Palisade does not attempt to allocate the relative costs or benefits of soft dollar benefits such as research to client accounts proportionately to the soft dollar benefits generated by the account. We believe that the soft dollar benefits (including research) are, in the aggregate, of assistance in fulfilling our overall responsibilities to clients. Accordingly, any soft dollar benefits (including research) received in exchange for a particular client’s brokerage commissions may be useful to that particular client; however, such soft dollar benefits (including research) may also be utilized by Palisade in its management of other client accounts. Additionally, not all soft dollar benefits (including research services) received may be utilized by Palisade in connection with the specific account which paid commissions (or markups or markdowns) to the broker providing such benefits and services.

Palisade’s relationships with broker-dealers providing research and execution services may influence its selection of broker-dealers, and thereby create a conflict of interest in allocating brokerage business. We have an incentive to select or recommend a broker-dealer based on our interest in receiving research and other products and services (*i.e.*, soft dollar benefits), rather than on our clients’ interest in receiving most favorable execution. For example, Palisade will not have to pay for the product and services provided by the broker-dealers, which creates an incentive for the Firm to select or recommend a broker-dealer based on its interest in receiving those products and services.

During Palisade's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Firm and/or its related persons acquired research and execution services, as described more specifically above.

Palisade may participate in "client commission arrangements" pursuant to which Palisade may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research to Palisade. Palisade excludes from use under these arrangements those services that are not eligible under Section 28(e) and applicable regulatory interpretations.

In determining whether to direct client brokerage transactions to particular broker-dealers, Palisade's "Best Execution Committee" meets at least quarterly to review and evaluate Palisade's soft dollar practices and to determine in good faith whether, with respect to any research or execution services received from a broker-dealer, the commissions (or markups or markdowns) used to obtain those services were reasonable in relation to the value of the brokerage or research services provided by the broker-dealer. The Best Execution Committee reviews quarterly and year-to-date commission reports which show commissions paid to each broker for our equity strategies (including high net worth separately managed accounts), and the convertible and convertible arbitrage strategies. The Firm's portfolio managers and analysts review and discuss the contributions each broker made to their research process during the quarter. Our traders also present information on the brokers' order execution during the quarter. The committee confers on whether the cumulative commissions for each broker are commensurate with the quality and amount of research and execution services provided. The committee then instructs the Firm's traders to direct trades in the subsequent quarter to those brokers who have provided exceptional services, if they can do so while seeking best execution.

Brokerage for Client Referrals

From time to time Palisade may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to the Strategic Fund, or recommend the Strategic Fund, the Collective Funds, or the Private Equity Funds as an investment to clients. Palisade may effect client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Firm determines that it is otherwise consistent with seeking best execution. We do not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third-party. In no event will Palisade select a broker-dealer as a means of remuneration for recommending Palisade or any other product managed by Palisade (or its affiliates) or affording Palisade with the opportunity to participate in capital introduction programs.

Directed Brokerage

Generally. Except as discussed below, Palisade does not routinely recommend, request, or require a client to direct us to execute transactions through a specific broker-dealer. Not all

investment advisers require clients to direct brokerage. Our clients maintain the right to direct Palisade to use a specified broker-dealer to execute all or a portion of the client's securities transactions. When this occurs, Palisade treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion the Firm would otherwise have in selecting broker-dealers to effect transactions and negotiate commissions for the client's account. Although Palisade attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case Palisade will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed the use of the same broker as Palisade is utilizing for trading accounts for which it has brokerage discretion will be aggregated in Palisade's Block Trades (as discussed below in Subsection B ("Order Aggregation")). When the directed broker-dealer is unable to execute a trade, Palisade will select broker-dealers other than the directed broker-dealer to effect client securities transactions.

Clients who direct Palisade to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain disadvantages to the client, such as, for example, the inability to participate in initial public offerings ("IPOs") underwritten by brokers other than the directed broker, and certain increased costs as compared to Palisade clients not requiring directed brokerage. Such costs may include higher brokerage commissions (because the Firm may not be able to aggregate orders to reduce transaction costs), less favorable price or overall execution of transactions, and the potential of exclusion from the client's portfolio of certain small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. As discussed below, clients that direct brokerage also may be unable to participate fully in aggregated or Block Trades (as discussed below). By permitting a client to direct Palisade to execute the client's trades through a specified broker-dealer, the Firm will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots, and the market for the security. The commissions charged to clients that direct Palisade to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who do not direct the execution of their trades. Clients that direct Palisade to execute their trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other Palisade clients.

Institutional Separately Managed Accounts. Palisade generally requires clients with discretionary separately managed accounts to provide us with written authority to determine the broker dealer to use, and the commission costs to be charged, to these clients for trading transactions. These clients must include any limitations on this discretionary authority in the written authority statement, which is typically included as part of the Investment Management Agreement between Palisade and the client. Clients may modify or amend these limitations as required, provided that all amendments must be provided to us in writing.

Palisade may direct trades in over-the-counter or listed securities on an agency basis through Alternative Trading Systems (“ATSs”), rather than directing them to a market-maker, floor broker, or a dealer on a principal basis, if Palisade believes that use of an ATS will provide best execution for the client, because (i) Palisade believes that by using an ATS it can obtain a better price or obtain better access to thinly traded securities that may not be available or as available in other markets, (ii) the Firm can better effect a trading strategy using the anonymity that trading on an ATS provides, or (iii) Palisade can better effect a transaction in a special situation, including without limitation a Block Trade (as described below).

High Net Worth Separately Managed Accounts; PAIF. Palisade has entered into an Investment Advisor Service Agreement with RBC Advisor Services, a division of RBC Capital Markets, LLC (“RBC”), a registered broker-dealer through which RBC will maintain brokerage accounts on behalf of certain of Palisade’s high net worth separately managed accounts and PAIF. As part of its services, RBC provides clearance, settlement, and custody services incidental to the maintenance of PAIF’s accounts and certain high net worth separately managed accounts that open brokerage accounts with RBC. Accordingly, trades on behalf of such accounts may be executed through RBC, unless another broker-dealer has been designated by the client or is otherwise appropriate, in which event RBC may charge an “away fee”. Absent directed trading instructions to the contrary, this “away fee” may cause us to determine that better execution (in terms of price, for example) may be obtained by executing trades through RBC. Palisade does not share in brokerage commissions paid to RBC, or in any “away fees”. PAIF and certain high net worth separately managed accounts with brokerage accounts held by RBC may be insufficient in size to utilize trading through a broker other than RBC.

The Strategic Fund. JPMCC and MLPCC serve as independent custodians to hold the funds and securities of the Strategic Fund.

The Collective Funds. Brown Brothers Harriman serves as an independent custodian to hold the funds and securities of the Collective Funds.

Private Equity Funds. JPMCC serves as an independent custodian to hold the funds and securities of the Private Equity Funds.

Wrap Fee and Model Portfolio Programs. The fee charged to clients of most wrap fee and model portfolio programs includes the cost of executing brokerage transactions. Palisade may execute trades for certain of these programs, or direct trades to the Wrap Fee Sponsor or its affiliate so as to avoid incurring additional brokerage costs that would otherwise be charged to the client (Palisade generally does not execute trades for research provider/model-based programs). Some Wrap Fee Sponsors may also charge additional fees for any trades that are stepped out to another broker/dealer. Absent directed trading instructions to the contrary, these additional fees may cause us to determine that better execution (in terms of price, for example) may be obtained by executing trades through the Wrap Fee Sponsor or its affiliate. Some Palisade clients may retain ultimate responsibility for determining the securities to be purchased, held, and sold for their own or their client accounts and do not give Palisade authority to execute

trades on their behalf. Clients should understand that any arrangement where Palisade does not retain trading discretion may impact Palisade's ability to seek best execution.

B. Order Aggregation

Because the size and mandate of client accounts may differ, the securities held in such client accounts may not be identical. In appropriate circumstances, some accounts managed by Palisade may purchase or sell a security prior to other accounts managed by Palisade. This could occur, for example, as a result of the specific investment objectives of the client or different cash resources arising from contributions or withdrawals.

Consistent with its duty to seek best execution, Palisade may, from time to time, buy and sell securities on a "bunched" or aggregated basis (a "Block Trade") for eligible accounts (including accounts in which Palisade's principals or employees may have an interest) where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equitably and on a prorated basis between all accounts included in any such block (subject to certain size- or cost-related exceptions). Note, however, that certain of Palisade's smaller separately managed accounts may be insufficient in size to participate in Block Trades. In such cases, Palisade may also be limited in its choice of executing brokers, and the client may pay higher commissions than if the transactions were effected through a broker-dealer of Palisade's choice. Therefore, Palisade will be limited in its ability to seek best execution. Clients directing all or a portion of their brokerage to a particular broker-dealer (as described above) may be disadvantaged (and the performance of their accounts adversely affected) by not participating in Block Trades.

To implement its allocation procedures, Palisade uses an average price account. The average price account is an accounting convention utilized solely to allocate securities purchased or sold in multiple executions for a single order. Multiple orders cannot be aggregated into a Block Trade. Transactions are not settled through the average price account.

Palisade seeks to aggregate trade orders in a manner that is consistent with its duty to: (i) seek best execution of client orders; (ii) treat all clients fairly and equitably over time; and (iii) not systematically advantage or disadvantage any client or group of clients.

When a Block Trade is filled in its entirety, each participating account will participate at the average price paid or received, per share or unit, on that day for the Block Trade, and share in any associated transaction costs, based upon the initial amount of securities requested to be purchased or sold for the account. When a Block Trade is partially filled, Palisade will allocate the order in accordance with its written aggregation and allocation procedures, described generally below.

Pro rata allocation is generally used when a Block Trade, which usually involves only non-directed accounts, cannot be fully executed in a single day, unless the client has expressly

directed otherwise. The partial fill is generally allocated among the participating client accounts based on the size of each account's original order, subject to rounding in order to achieve minimum lots. Unexecuted orders will continue until the Block Trade is completed or until all component orders have been cancelled. New orders for the same security may be aggregated with any remaining unexecuted orders and will continue in the same manner. Palisade will generally apply a minimum order allocation amount of ten shares, which may be adjusted based on market convention associated with the particular security. If the remaining positions are too small to satisfy the minimum order amount, Palisade may decide to allocate the remaining shares to those accounts seeking large positions that were unfilled. Palisade may also decide to allocate remaining shares to those accounts whose orders would be completed as a result of the allocation subject to its de minimis policy.

While Palisade will always try to allocate investment opportunities and the results of transactions pro rata in the first instance, Palisade may allocate on a basis other than pro rata, if, under the circumstances, Palisade believes that such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to participating accounts, and results in fair access, over time, to investment and trading opportunities for all eligible accounts managed by Palisade. For example, Palisade may identify investment opportunities that are appropriate for certain accounts but not others (or with respect to which relatively increased exposure is appropriate for one account or group of accounts over others) based on such factors as: investment objectives and style; risk/return parameters; legal, regulatory, and client requirements or restrictions; tax considerations; account size; sensitivity to turnover; and available cash and cash flows. Consequently, Palisade may determine it is appropriate to place a given security in one account over another, or to allocate a security more heavily to a particular account over another. Palisade may also invest in limited availability or thinly traded securities in which it may be unable to acquire substantial positions.

Palisade may also consider cash flow changes (including available cash, redemptions, exchanges, capital additions, and capital withdrawals), which may provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific accounts or types of accounts over time.

Palisade generally will not aggregate trades for accounts of wrap fee clients or other clients over which Palisade has limited brokerage discretion with those for other client accounts Palisade manages, to the extent that (i) such other clients have directed their brokerage to a particular broker-dealer or (ii) such wrap fee clients pay comprehensive fees that already include the costs of executing transactions through the Wrap Fee Sponsor. Orders for wrap fee and directed brokerage clients will generally be aggregated only with other practicable orders relating to the same wrap fee program or designated broker-dealer and will be allocated in the manner described above, including the pro rata allocation, if it would result in a partial fill for any account selected.

To minimize trading conflict and in the interest of treating all clients fairly, Palisade employs a rotation schedule to execute trades or give trade instructions such that trade orders in the same

security will rotate among Block Trades and each wrap program and/or model portfolio program. Palisade retains records of the rotation schedule along with its daily trading records.

Palisade generally invests in and allocates IPOs to eligible accounts based on the target amount submitted in advance by the portfolio managers for each strategy for accounts which are eligible to participate in IPOs. A minimum of ten shares will be allocated whenever possible. Under certain circumstances (such as small share allocations), Palisade may allocate IPOs to smaller groups of specific individual accounts within each strategy on a rotational basis. Wrap accounts and model portfolios are not eligible to participate in IPOs.

Trade Errors. In the event of a trade error, the client will at least be made whole. Clients participating in sponsored programs (such as wrap-fee, advisory, and research provider/model-based programs) may be subject to the trade error correction policy of the Wrap Fee Sponsor. These clients should refer to their program's account documentation.

ITEM 13 REVIEW OF ACCOUNTS

A. Frequency and Nature of Review

Accounts generally are reviewed in the context of each client's stated investment objectives and investment guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political, or economic environment. Reviews also may be triggered for compliance purposes, such as in connection with monitoring and testing for compliance with investment guidelines and investment restrictions. More specific information is provided below.

Institutional and High Net Worth Separately Managed Accounts

The underlying securities within institutional and high net worth separately managed accounts are continually monitored by each account's portfolio manager to determine whether securities positions should be maintained in view of current market conditions. In addition, all accounts are periodically reviewed (at least quarterly) by:

- Dennison T. Veru, Chief Investment Officer – Institutional, or Jack Feiler, Chief Investment Officer – Private Wealth Management;
- Palisade's Vice President of Risk Management and Portfolio Analysis;
- a member of Palisade's compliance department; and
- other members of Palisade's Investment Policy Committee.

These additional reviews utilize aggregated data and summary reports to show dispersion between similarly managed accounts and deviation from core investment strategies. Managed Accounts are also monitored on a systematic basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. More active accounts and larger accounts

are reviewed on a more frequent basis. A member of Palisade's compliance department reviews each account's daily transactions in an effort to ensure that all transactions are suitable for the respective client's investment objectives and guidelines.

Accounts are primarily reviewed by the following individuals, who serve as portfolio managers for client accounts:

| <u>Investment Strategy</u> | <u>Primary Reviewer Name & Title</u> |
|-----------------------------------|--|
| Small-cap core equities | Marc H. Shapiro, Senior Portfolio Manager |
| Small-cap growth equities | Sammy Oh, Managing Director and Senior Portfolio Manager |
| Smid-cap growth equities | Sammy Oh, Managing Director and Senior Portfolio Manager |
| Mid-cap growth equities | William Potter, Managing Director and Senior Portfolio Manager |
| Convertible Securities | Elliot B. Stiefel, CFA, Managing Director of Convertible Securities |

| <u>Investment Strategy</u> | <u>Primary Reviewer Name & Title</u> |
|-----------------------------------|--|
| Convertible Arbitrage | Elliot B. Stiefel, CFA, Managing Director of Convertible Securities |
| High Net Worth | Jack Feiler, President and Chief Investment Officer - Private Wealth Management |
| High Net Worth | Dennison T. Veru, Executive Vice President and Chief Investment Officer – Institutional |
| High Net Worth | Bernard Picchi, CFA, Managing Director, Private Wealth Management |
| High Net Worth | Wendy Popowich Managing Director, Private Wealth Management |
| Private Equity | James T. Jahnke, Managing Director, Private Equity |

Palisade's Investment Policy Committee oversees all investment management strategies at Palisade utilizing publicly traded securities and is comprised of the following individuals:

| <u>Name</u> | <u>Title</u> |
|------------------------|--|
| Martin L. Berman | Chairman and Chief Executive Officer |
| Steven E. Berman | Vice Chairman |
| Jack Feiler | President and Chief Investment Officer - Private Wealth Management |
| Dennison T. Veru | Executive Vice President and Chief Investment Officer - Institutional |
| Jeffrey D. Serkes | Chief Operating Officer |
| Elliot B. Stiefel, CFA | Managing Director of Convertible Securities |
| Kevin Klarnet, CFA | Director of Convertible Securities |
| Marc H. Shapiro | Senior Portfolio Manager |
| Sammy Oh | Managing Director and Senior Portfolio Manager |
| William Potter | Managing Director and Senior Portfolio Manager |

Mutual Fund and Collective Fund Accounts

Palisade continually reviews and monitors each Mutual Fund and Collective Fund's holdings in accordance with the investment objectives as detailed in each fund prospectus, Declaration of Trust and/or Disclosure Memorandum (as the case may be). Each Mutual Fund and Collective Fund is reviewed at least quarterly by its respective portfolio manager, Dennison T. Veru, Chief Investment Officer – Institutional, Palisade's Vice President of Risk Management and Portfolio Analysis, a member of Palisade's compliance department, and other members of the Investment Policy Committee, as described above. Mutual Fund and Collective Fund accounts are also monitored on a systematic basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. More active accounts and larger Mutual Fund and Collective Fund accounts are reviewed on a more frequent basis. A member of Palisade's Compliance Department reviews each Mutual Fund and Collective Fund account's daily transactions in an effort to ensure that all transactions are suitable for the respective client's investment objectives and guidelines.

| <u>Investment Strategy</u> | <u>Primary Reviewer Name & Title</u> |
|-----------------------------------|---|
| Small-cap core equities | Marc H. Shapiro, Senior Portfolio Manager |

Investment Strategy**Primary Reviewer Name & Title**

Smid-cap growth equities

Sammy Oh, Managing Director and
Senior Portfolio Manager***Wrap Fee and Model Portfolios***

The underlying securities within wrap fee and model portfolio accounts are continually monitored by each account's portfolio manager to determine whether securities positions should be maintained in view of current market conditions. In addition, all accounts are periodically reviewed (at least quarterly) by:

- Dennison T. Veru, Chief Investment Officer – Institutional;
- Palisade's Vice President of Risk Management and Portfolio Analysis;
- a member of Palisade's compliance department; and
- other members of Palisade's Investment Policy Committee.

These additional reviews utilize aggregated data and summary reports to show dispersion between similarly managed accounts and deviation from core investment strategies. Wrap accounts are also monitored on a systematic basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. More active wrap accounts and larger wrap accounts are reviewed on a more frequent basis. A member of Palisade's compliance department reviews each wrap account's daily transactions in an effort to ensure that all transactions are suitable for the respective client's investment guidelines.

Each wrap fee and model portfolio account is primarily reviewed by its respective portfolio manager, as follows:

Investment Strategy**Primary Reviewer Name & Title**

Small-cap core equities

Marc H. Shapiro, Senior Portfolio Manager

Small-cap growth equities

Sammy Oh, Managing Director and
Senior Portfolio Manager

Smid-cap growth equities

Sammy Oh, Managing Director and
Senior Portfolio Manager

Mid-cap growth equities

William Potter, Managing Director and
Senior Portfolio Manager

Convertible Securities

Elliot B. Stiefel, CFA,
Managing Director of Convertible Securities

The Strategic Fund and Private Equity

Palisade continually reviews and monitors the Strategic Fund's and each Private Equity Fund's respective holdings in accordance with the investment objectives as detailed in each fund's respective private placement offering memorandum.

The Private Equity Funds are continually reviewed by James T. Jahnke, Managing Director of Private Equity, as well as by members of the Private Equity Investment Committee on at least a quarterly basis. The Private Equity Investment Committee is composed of the following individuals:

| <u>Name</u> | <u>Title</u> |
|--------------------|--|
| Martin L. Berman | Chairman and Chief Executive Officer |
| Steven E. Berman | Vice Chairman |
| Jack Feiler | President and Chief Investment Officer - Private Wealth Management |
| Dennison T. Veru | Executive Vice President and Chief Investment Officer – Institutional |
| Jeffrey D. Serkes | Chief Operating Officer |

| <u>Name</u> | <u>Title</u> |
|--------------------|--|
| Brian Fern | Chief Financial Officer |
| Bradley R. Goldman | General Counsel & Chief Compliance Officer |
| James T. Jahnke | Managing Director – Private Equity |
| Jason Rich | Vice President – Private Equity |
| Jeffrey Weekes | Vice President – Private Equity |

The Strategic Fund is primarily reviewed by Elliot B. Stiefel, CFA, Palisade's Managing Director of Convertible Securities. In addition, the Strategic Fund is periodically reviewed (at least quarterly) by:

- Dennison T. Veru, Chief Investment Officer – Institutional;
- Palisade's Vice President of Risk Management and Portfolio Analysis;
- a member of Palisade's compliance department; and

- other members of Palisade's Investment Policy Committee.

These additional reviews utilize aggregated data and summary reports to show dispersion between the Strategic Fund and similarly managed accounts and deviation from core investment strategies. The Strategic Fund is also monitored on a systematic basis by an electronic portfolio compliance system to ensure consistency with client portfolio restrictions. A member of Palisade's compliance department reviews the Strategic Fund's daily transactions in an effort to ensure that all transactions are suitable for the Strategic Fund's investment objectives and guidelines.

B. Factors Prompting a Non-Periodic Review of Accounts

As noted above, significant market events affecting the prices of one or more securities in client accounts, or changes in the investment objectives or guidelines of a particular client or fund portfolio, may trigger reviews of client accounts or fund portfolios on other than a periodic basis.

C. Content and Frequency of Regular Account Reports

The reports described below are typically written, but may be delivered electronically as requested by our clients (or, as applicable, Wrap Fee Sponsors). Reports to shareholders or interest holders of our clients that are mutual funds or other pooled investment vehicles also are typically written, but may be delivered electronically as authorized by such holders and applicable law.

Palisade generally provides quarterly reports to its separately managed account clients (including high net worth and institutional account clients as well as wrap fee and model portfolio account clients) that summarize account performance, balances, and holdings. In addition, clients will generally receive monthly statements and confirmations of transactions from their broker-dealer and/or custodian. Palisade can provide more frequent reporting if requested by a client.

Clients invested in Mutual Funds subadvised by Palisade should refer to each fund's prospectus for information regarding regular reports to clients by the respective Mutual Funds. Palisade, as sub-adviser, provides to the Mutual Funds quarterly reports summarizing account performance, balances, and holdings. Palisade can provide more frequent reporting if requested by a Mutual Fund.

Clients invested in Collective Funds subadvised by Palisade should refer to each fund's Declaration of Trust and Disclosure Memorandum for information regarding regular reports to clients by the respective Collective Funds. Palisade, as sub-adviser, provides to the Collective Funds quarterly reports summarizing account performance, balances, and holdings. Palisade can provide more frequent reporting if requested by the Collective Funds.

Investors in the Strategic Fund and the Private Equity Funds (including the general partners of the Private Equity Funds) receive reports from the Strategic Fund and Private Equity Funds, as

applicable, pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the relevant fund.

In addition to the above reports, we generally will provide our clients with reasonable, periodic access to our investment professionals through conference calls or other reasonably agreed upon means to discuss their accounts or our services and any questions regarding their accounts or our services.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits Received from Non-Clients for Providing Services to Clients

Palisade receives certain research and other services from broker-dealers through "soft-dollar" arrangements as permitted under the Section 28(e) safe harbor (as discussed above in Item 12 of this Brochure). These "soft-dollar" arrangements create an incentive for Palisade to select or recommend broker-dealers based on the Firm's interest in receiving the research or other services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by Palisade on behalf of its clients. Please see Item 12 of this Brochure above for further information on Palisade's "soft-dollar" practices, including the Firm's procedures for addressing conflicts of interest that arise from such practices.

Palisade's policies prohibit our related persons from accepting any form of compensation, including cash, sales awards, or other prizes, from non-clients in conjunction with the advisory services we provide to our clients. Notwithstanding this prohibition, Palisade employees may receive gifts and entertainment of minimal value from non-clients, subject to the restrictions imposed by Palisade's Code. Additionally, the Firm may compensate Palisade employees for their assistance in bringing a new client or account to the Firm.

B. Compensation to Non-Supervised Persons for Client Referrals

Palisade may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our Firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to Palisade by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of Firm practice, advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act, related SEC staff interpretations, and other applicable laws and regulations.

ITEM 15 CUSTODY

Except as discussed below, Palisade does not have actual or constructive custody of client accounts. A client's bank, broker-dealer, or other qualified custodian ("custodian") has actual, physical custody of a client's assets.

We previously disclosed in Item 5 of this Brochure that our Firm may directly debit advisory fees from certain client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because in some cases the custodian does not calculate the amount of the fee to be deducted, we are deemed to have "custody" of client assets for purposes of Rule 206(4)-2 under the Advisers Act. To address potential conflicts of interest, and other possible client concerns, we have implemented policies and procedures that we believe are reasonably designed to seek to ensure that the amount of assets under management on which our fees are billed is accurate and that our fees are consistent with the terms of the Investment Management Agreements with our clients. For example, we periodically review our invoicing and collection practices, and test our fee calculations on a sample basis to confirm their accuracy.

Clients will receive account statements from their custodian for their accounts. Palisade strongly encourages its clients to carefully review these custodial statements to verify their accuracy (including the accuracy of fee calculations, among other things).

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on no less than a quarterly basis. We urge our clients to carefully compare the information provided on account statements from their custodians to Palisade's statements to ensure that all account transactions, holdings, and values are correct and current.

Clients should contact us directly if they believe that there may be an error in their statement.

Certain Palisade affiliates serve as the general partners of the Private Equity Funds. As a result, Palisade may be deemed to have constructive custody of client assets owned by the Private Equity Funds.

ITEM 16 INVESTMENT DISCRETION

Clients may hire us to provide discretionary investment advisory services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Unless otherwise instructed or directed by a discretionary client, our discretionary authority includes the ability to do the following without contacting the client (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines):

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary investment management agreement with our Firm, and may limit this authority by giving us written instructions. Clients may also change or amend such limitations by once again providing us with written instructions. Because of the differences in client investment objectives and strategies, risk tolerances, tax status, and other criteria, there may be differences among clients in invested positions and securities held.

Examples of restrictions that clients may (and customarily do) place on our discretionary authority include:

- Quantitative limitations on holdings, sectors, or industries (*e.g.*, no more than 5% of a portfolio may be comprised of any one security; no more than a comparable index's weight in a particular sector);
- Restrictions on specific holdings (*e.g.*, no investments in the client company's stocks or bonds, or those of subsidiaries and affiliates);
- Qualitative limitations on holdings (*e.g.*, bonds owned in the portfolio must be rated "B" or higher; no "broken" convertible bonds);
- Liquidity restrictions (*e.g.*, stocks must be traded on an exchange; no private placement securities); and
- Tax considerations (*e.g.*, no exposure to unrelated business taxable income (known as "UBTI"); no investments generating an Internal Revenue Service Form K-1).

Please see Item 12 of this Brochure above for a complete description of Palisade's allocation procedures and other applicable brokerage policies.

ITEM 17 VOTING CLIENT SECURITIES

Palisade generally has no obligation or authority to vote any client's proxy, or render any advice with respect to the voting of proxies, or make elections solicited by or with respect to issuers of securities held by any client. Accordingly, clients will receive their proxies or other solicitations

directly from their custodian. Clients are asked not to contact Palisade with questions regarding a particular solicitation.

Notwithstanding the forgoing, Palisade will vote client proxies if a client specifically requests Palisade do so and Palisade agrees to such agreement in writing. With respect to ERISA accounts, Palisade will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. Clients may delegate such authority and responsibility to a properly authorized agent. If Clients delegate such authority to us, this delegation generally is contained in our Investment Management Agreement with the client or in a separate written instruction. To direct us to vote a proxy in a particular manner, clients should (i) contact us by mail at: Palisade Capital Management, L.L.C., One Bridge Plaza North, Suite 695, Fort Lee, New Jersey 07024-7102, (ii) call Judith Keilp, Palisade's Vice President of Compliance, at (201) 585-7733, or (iii) send an email to judith@palcap.com. If we agree in writing to be responsible for voting your proxies or making elections with respect to issuers of securities held in your account(s), we will vote proxies in the best interests of clients and in accordance with our established policies and procedures. Palisade has contracted with a third party proxy agent to assist with carrying out our policy.

If Palisade exercises voting authority on behalf of a Palisade client and maintains investment supervision of such client's securities, then the following Proxy Voting Procedures (the "Procedures") will apply to those client securities:

Proxy Voting Procedures

Palisade is not responsible for proxy voting if a client's securities are out on loan as of the record date and as a result do not generate a proxy. A client may have a separate agreement with its custodian to engage in securities lending on the client's behalf (as Palisade itself does not loan client securities). Because Palisade has no knowledge when securities are loaned by a third party custodian, these loaned securities are not subject to the Procedures.

The proxy agent provides research to Palisade on each proxy issue, along with a proxy voting recommendation. The recommendations are determined in accordance with the agent's Guidelines. Palisade has adopted these Guidelines as its general proxy voting policy. You may obtain a copy of the Guidelines by submitting a request to Palisade, as described above.

For each proxy to be voted by Palisade, the applicable research and recommendation from Palisade's proxy voting agent are forwarded to the appropriate portfolio manager (each, a "PM") and/or analyst responsible for monitoring the company that is soliciting the proxy. The PM or analyst will then make an independent decision whether or not to vote client proxies in accordance with the recommendation. In all cases, the PM or analyst will give overriding consideration to each client's stated guidelines or restrictions, if any.

Palisade has a "Mandatory Sign-Off" procedure which requires the PM or analyst to review each proxy issue prior to voting. However, if Palisade does not send its vote preference to the proxy

voting agent before the voting deadline, the agent will vote Palisade client proxies in accordance with the its recommendation. Palisade's Compliance Department is responsible for monitoring receipt of research and recommendations from the proxy voting agent, and for ensuring that client proxies are voted and submitted to the agent in a timely manner.

If a PM or analyst believes that a client's best interests would be served by voting a proxy contrary to the agent's recommendation, the PM or analyst will bring their proposed vote to Palisade's Investment Policy Committee. The Investment Policy Committee is composed of Palisade's senior investment professionals and has the ability to "override" the recommendation. The PM or analyst will provide a brief memorandum to the Investment Policy Committee explaining their reasons for voting contrary to the recommendation.

If the Investment Policy Committee approves the decision to vote a client proxy contrary to the Guidelines, a representative of Palisade's Compliance Department will review Palisade's Restricted List (as described below) and consider whether there are any potential conflicts of interest before the vote is submitted to the proxy voting agent.

Conflicts of Interest

A conflict of interest exists when Palisade has knowledge of a situation where the Firm or its principals, employees, or affiliates would enjoy a special or increased benefit from casting a client proxy vote in a particular way. A conflict of interest may occur in the following cases; however this list is not all-inclusive:

- The issuer of securities that Palisade holds in client accounts (and for which Palisade is required to vote client proxies) is a Palisade client.
- Palisade is soliciting new business from an issuer of securities that Palisade holds in client accounts (and for which Palisade is required to vote client proxies).
- A Palisade employee (or an employee of a Palisade affiliate) serves as a director of an issuer of securities that Palisade holds in client accounts (and for which Palisade is required to vote client proxies).
- A Private Equity Fund managed by Palisade owns equity or debt of an issuer of securities that Palisade holds in client accounts (and for which Palisade is required to vote client proxies).

When a material conflict of interest occurs, the proxy voting agent will be solely responsible for voting the affected client proxy based on its Guidelines or specific client restrictions, and Palisade's Investment Policy Committee will not be permitted to "override" the recommendation (as described above). When a non-material conflict occurs, Palisade's Investment Policy Committee will be permitted to "override" the recommendation (as described above); however, the Investment Policy Committee and a representative of Palisade's compliance department will

consider the conflict when deciding how to vote the affected client proxy. As used above, a conflict of interest is presumed to be “material” if it involves 1% or more of Palisade’s annual revenue. The definition of “material” is subject to change at Palisade’s discretion.

Palisade will document all conflicts of interest, whether or not material, and keep the documentation with the client’s proxy records. Conflict of interest documentation will include a “Conflict of Interest Form,” which will be completed by a representative of Palisade’s compliance department and be attached to the proxy voting agent’s certification and voting statement. All documentation in connection with a Palisade conflict of interest will be sent to the client for whom there was a conflict.

Palisade maintains a list of securities and issuers (known as the “Restricted List”) that cannot be traded in client or employee personal accounts. The Restricted List minimizes the possibility of the occurrence of a material conflict of interest by prohibiting the trading of securities of issuers where Palisade possesses non-public information, or where Palisade deems it necessary or prudent for other compliance, business, or regulatory objectives. Palisade updates its Restricted List promptly as needed.

Palisade will retain all proxy voting books and records for the required period of time, including a copy of each proxy statement, a record of each vote, a copy of any document created by us that was used while deciding how to vote, and a copy of each written client request for information on how we voted. Clients may request information on how proxies for its shares were voted by sending a written request to the address noted above.

For accounts where we do not vote proxies, Palisade may provide investment advisory services relative to client investment assets but clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client’s investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client’s investment assets.

We will neither advise nor act on behalf of a client in legal proceedings involving companies whose securities are held in such client’s account(s), including, but not limited to, the filing of “Proofs of Claim” in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

ITEM 18 FINANCIAL INFORMATION

A. Balance Sheet

Palisade is not required to provide a balance sheet.

B. Financial Conditions and Impairment of Contractual Commitments to Clients

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Palisade has no additional financial circumstances to report.

C. Bankruptcy Filings

Palisade has not been the subject of a bankruptcy petition since its inception in 1995.

ANNEX A PRIVACY NOTICE

Palisade is committed to protecting your privacy. We have established practices and procedures to ensure the confidentiality of your personal information.

Collection of Information

We may collect nonpublic personal information about you from the following sources:

- Account applications or other forms, which may include your name, address, and social security number;
- Written and electronic correspondence and telephone contacts;
- Account history, including information about your transactions and balances in your accounts with us, our affiliates or our clearing brokers; and
- Information from consumer reporting agencies.

Disclosure of Information. We do not disclose any nonpublic personal information about our customers or former customers to non-affiliated third parties, except as permitted by law. We do not sell your personal information to third parties for their independent use.

Confidentiality and Security of Information

Access to your information is limited to personnel who need the information to perform their job responsibilities. We maintain physical, electronic, and procedural safeguards to protect this information.

You do not need to do anything in response to this notice. We will notify you of our privacy policy annually. If you have any questions, please contact Bradley R. Goldman, Palisade's General Counsel and Chief Compliance Officer, at either of the following numbers: (201) 585-7733 or (800) 330-9966.

ANNEX B BUSINESS CONTINUITY PLAN DISCLOSURE

Palisade is committed to safeguarding the interests of our clients in the event of an emergency or significant business disruption. This Business Continuity Plan Disclosure (“BCP”) summarizes the Firm’s effort to mitigate risks inherent with unforeseen business interruptions. The Firm’s comprehensive business continuity strategy is designed to enable us to meet our existing obligations to clients even in the event of an emergency or significant business disruption.

Communications with Firm Employees in the Event of a Disruption

The safety and well-being of our employees is a vital concern. In the event of an emergency or significant business disruption, the Firm will communicate with its employees directly by telephone or email.

Redundancy of Mission Critical Information Technology Systems

The Firm has several information technology processing and backup sites that collectively provide the redundancy required to protect Palisade’s books and records, and provide business continuity and client protection. The recovery capability for certain of the Firm’s mission critical processing capabilities is achieved through the use of unaffiliated third parties, back-up systems, and Cervalis IT Infrastructure Solutions (“Cervalis”), including a second set of IT servers located off-site. Recovery times for mission critical systems range between real time recovery and full operation in 24 hours.

Back-Up Trading, Sales and Operations Sites

The Firm maintains contracts with Cervalis and Agility Recovery Solutions, who will provide backup facilities for trading and operations located away from our office. In the event that we cannot access our office, it may become necessary to relocate certain personnel to either of the backup sites. The backup sites can be fully operational within 24 hours, and their functionality is tested periodically.

Protection of Office

The Firm’s office is equipped with a power generator so it can remain fully functional even if there is a widespread power outage. The Firm’s data center is located in a secure area, and our office has restricted access and physical security measures.

Disclaimer

The Firm’s comprehensive business continuity strategy is designed to enable us to meet our existing obligations to our clients even in the event of an emergency or significant business disruption; however it is not infallible. The plan is designed to work in many different emergency situations, but we have no control over the various entities that we must rely upon in the event of an emergency, although we have taken steps to ensure that such third parties also have business continuity strategies. Our business continuity plans are tested periodically to ensure readiness; however, such tests may not be able to replicate the actual conditions we may experience in a real emergency. This BCP is subject to change without notice. In the event that this BCP is modified, the updated document will be promptly posted to the Firm’s website

(www.palisadecapital.com). Alternatively, clients may obtain an updated hard copy of this BCP upon request. The information contained in this BCP disclosure is provided by the Firm for informational purposes only. Nothing contained herein shall be construed to amend, supplement, or otherwise modify any of the terms and conditions set forth in any customer agreement between you and the Firm. Information regarding the broker-dealer for many of our High Net Worth Managed Accounts, RBC Capital Markets LLC, may be obtained at www.rbccm.com/usbrokerdealer.

Emergency Phone Number

In the event of an emergency or significant business disruption, the Firm's phone lines will be forwarded to its employees. You may reach us at (201) 585-7733 or (800) 330-9966. Additional information will be posted on our website: www.palisadecapital.com.