

Item 1 – Cover Page

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March 22, 2012

This Brochure provides information about the qualifications and business practices of Lombardia Capital Partners, LLC (“Adviser” or “LCP”). If you have any questions about the contents of this Brochure, please contact us at (626) 568-2792. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

LCP is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about LCP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure has been updated since the last Brochure dated September 1, 2011. There have been a few minor changes to the form:

1. The assets under management have been amended in Item 4; and
2. The Fee Schedule for All Cap Value Equity has been amended.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Wendell Williams, Chief Compliance Officer ("CCO"), (626) 568-2792 or via email at [wwilliams@lombardiacapital.com](mailto:wwilliams@lombardiacapital.com).

Additional information about LCP is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

LCP is an independent, minority-owned, registered investment advisor specializing in U.S. and non-U.S. value equities. LCP was founded in 1989 and offers six investment strategies: Small Cap Value Equity, Mid Cap Value Equity, Large Cap Value Equity, All Cap Value Equity, International Equity Value, and Global Equity Value. LCP may also provide customized portfolios.

Lombardia Capital Partners, Inc. is the managing member of LCP and owns more than 75% of the interest in LCP. Jorge G. Castro and Alvin Wardell Marley each own between 25 and 50% of Lombardia Capital Partners, Inc.

LCP provides “investment supervisory services” as defined in the Investment Advisers Act of 1940 (the “Act”) for individuals, corporations, corporate pension and profit-sharing plans, public employee benefit plans and other tax exempt organizations, trusts, estates, charitable organizations, foreign funds, municipalities, foundations, endowments, private investment funds, international institutions, and registered investment companies. Such services consist of regular review of securities held in an account and include the placing of orders with brokers for the purchase or sale of appropriate securities on a fully discretionary basis. Portfolio changes are based on investment objectives established after consideration of and agreement with the client and also after a review of economic, securities market, industry, and company factors influencing the establishment of appropriate investment policy for each particular account. Clients may impose reasonable restrictions on the portfolios managed by LCP. LCP also provides financial advisory services to a federal governmental entity.

LCP manages client assets in the amount of \$2,699,732,442 on a discretionary basis as of December 31, 2011.

#### **Item 5 – Fees and Compensation**

##### **FEES FOR ADVISORY SERVICES**

Fees for advisory services are related to the assets under management and based on a percent of assets under management. Fees may also be based on performance in a manner consistent with the requirements of Section 205 of the Advisers Act of 1940. Fees will be billed in arrears although other arrangements may be made at the convenience of the client. We reserve the right to negotiate fees and we may manage client accounts without an advisory fee, such as accounts of employees, former employees, employees’ affiliates’ or their relations. Contracts for advisory services will be terminable after notice by the terminating party to the other. The fee schedule will vary according to the types of clients (e.g., public pensions, corporate pensions, sub-advisory relationships, endowments and foundations, and unions), investment strategy (e.g., large cap, mid cap, small cap, international, global, all cap equities), and the amount of assets to be managed. You may pay more or less than other clients depending on certain factors, such as if you have

another account with us or if we negotiate different fees with you. LCP's standard fee schedules are as follows:

For Large Cap Equity Value portfolios:

- (i) 0.60% per annum on the first \$25 million of assets under management,
- (ii) 0.50% per annum on the next \$25 million of assets under management,
- (iii) 0.40% per annum on the next \$50 million of assets under management, and
- (iv) 0.30% per annum on assets under management above \$100 million.

For Mid Cap Equity Value portfolios:

- (i) 0.85% per annum on the first \$20 million of assets under management,
- (ii) 0.75% per annum on the next \$30 million of assets of under management, and
- (iii) 0.65% per annum on assets under management above \$50 million.

For Small Cap Equity Value portfolios:

- (i) 1.0% per annum on the first \$20 million of assets under management,
- (ii) 0.85% per annum on the next \$20 million of assets under management,
- (iii) 0.75% per annum on the next \$10 million of assets under management, and
- (iv) 0.70% per annum on assets under management above \$50 million.

For All Cap Equity Value portfolios:

- (i) 0.80% per annum on the first \$10 million of assets under management,
- (ii) 0.70% per annum on the next \$25 million of assets under management,
- (iii) 0.60% per annum on the next \$50 million of assets under management, and
- (iv) 0.55% per annum on assets under management above \$80 million.

For International Equity Value and Global Equity Value portfolios:

- (i) 0.75% per annum on the first \$25 million of assets under management,
- (ii) 0.70% per annum on the next \$25 million of assets under management,
- (iii) 0.65% per annum on the next \$50 million of assets under management,
- (iv) 0.60% per annum on assets under management above \$100 million,

For financial advisory services, LCP will be paid a fixed fee based on the number of financial institutions for which we provide advice.

LCP's advisory fees are payable quarterly in arrears or in advance, depending on the agreement with the client, based upon the net asset value of the account in an amount equal to one quarter of the percentages referred to above. If requested by a client, LCP will negotiate performance-based fee arrangements, provided they are eligible under Rule 205-3 of the Investment Advisers Act of 1940 and under applicable state law and regulations. Upon termination of any account, any earned, unpaid fees will be due and payable. All fees are subject to negotiation.

LCP's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer

taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

#### *Mutual Fund Fees and Expenses*

Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. All fees paid to LCP for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. Such charges, fees, and commissions are exclusive of and in addition to LCP's fee, and LCP shall not receive any portion of these commissions, fees, and/or costs. The mutual fund fees and expenses 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, in some cases, a deferred sales charge.

Item 12 further describes the factors that LCP considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In some cases, LCP may enter into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. LCP will structure any performance fees or incentive fees subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (the "Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, LCP shall include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for LCP to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. LCP has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

LCP provides portfolio management services to individuals, corporations, corporate pension and profit-sharing plans, public employee benefit plans and other tax exempt organizations, trusts, estates, charitable organizations, foreign funds, municipalities, foundations, endowments, private investment funds, international institutions, and registered investment companies. LCP's minimum account size is generally \$5 million dollars. At our discretion, we may lower the minimum requirements.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

In providing discretionary investment management services, we use various different investment strategies and methods of analysis, as described below. This Item 8 also contains a discussion of the primary risks associated with these investment strategies, although it is not possible to identify all of the risks associated with investing and the particular risks applicable to your account will depend on the nature of the account, its investment strategy or strategies, and the types of securities you hold.

While we seek to manage accounts so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return can be achieved. You should understand that you could lose some or all of your investment and should be prepared to bear the risk of such potential losses, including through diversification.

You should be aware that certain strategies may be limited to certain types of securities and may not be diversified. The strategies we provide are generally not intended to provide a complete investment program for you and we expect that the assets we manage do not represent all of your assets. You are responsible for appropriately diversifying your assets to guard against the risk of loss.

## **Investment Philosophy and Process**

### *Small Cap Value, Large Cap Value, Mid Cap Value, and All Cap Value Strategies*

The focus of these strategies is to buy stocks at a discount to LCP's estimate of the true worth of the business, or intrinsic value, and to sell stocks as they become fully priced, have a change to the original thesis, or when a better opportunity exists. The strategies invest in stocks with attractive valuations and identifiable future earnings and cash flow growth. We believe that over time this approach will lead to superior performance with limited downside risk. The objective of each portfolio is to exceed the return of their respective benchmark with generally lower than average tracking error and risk metrics.

These strategies cover the market capitalization spectrum over \$100 million. We place a high premium on deep fundamental research, arriving independently at expectations of a company's normalized profit and returns. After analyzing a universe appropriate to the respective product, we construct screens to identify undervalued businesses.

### Small Cap Value

The Small Cap Value Portfolio seeks capital appreciation through a value-focused investment process.

LCP's Small Cap Value Portfolio is an actively managed, diversified portfolio of stocks of small capitalization companies. These companies have market capitalization that are representative of the Russell 2000 Value Index at the time of purchase. The strategy seeks to outperform the Russell 2000 Value benchmark over 300 basis points per annum. The

portfolio usually holds between 70 and 85 positions diversified across various industry sectors.

#### Mid Cap Value

The Mid Cap Value Portfolio seeks capital appreciation through a value-focused investment process.

LCP's Mid Cap Value Portfolio is an actively managed, diversified portfolio of stocks of mid capitalization companies. These companies have market capitalization that track the Russell Mid Cap Value Index at the time of purchase. The strategy seeks to outperform the Russell Mid Cap Value benchmark over 200 basis points per annum. The portfolio usually holds between 50 and 70 positions diversified across various industry sectors.

#### Large Cap Value

The Large Cap Value Portfolio seeks capital appreciation through a value-focused investment process.

LCP's Large Cap Value Portfolio is an actively managed, concentrated portfolio of stocks of large capitalization companies. These companies have market capitalization greater than \$1 billion at the time of purchase. The strategy seeks to outperform the Russell 1000 Value benchmark by over 100 basis points per annum. The portfolio usually holds between 30 and 40 positions diversified across various industry sectors.

#### All Cap Value

The All Cap Value Portfolio seeks capital appreciation through a value-focused investment process.

LCP's All Cap Value Equity Portfolio is an actively managed, concentrated portfolio of stocks of small to large capitalization companies representative of the Russell 3000 Value Composite Index. The strategy seeks to outperform the Russell 3000 Value Index. The portfolio currently holds 15 of the highest conviction names from LCP's Small, Mid, and Large Cap Value strategies.

#### *International Equity Value and Global Equity Value Strategies*

LCP's International Equity Value and Global Equity Value strategies utilize a fundamental, bottom-up, Graham-and-Dodd, deep-absolute value approach to identify investment opportunities. The investment philosophy for the strategies is based on the principles of Graham & Dodd. Benjamin Graham, considered by many to be the forefather of value investing, felt that a stock should be viewed as a piece of a business up for sale. The temporary disparity that exists between the current stock price and the true value of a business, the intrinsic value, should close over time creating a profit for the investor. Irrational price movements in the marketplace create opportunities for such an investor. The key to success is to focus on buying businesses that have determinable value, or are undervalued, in LCP's estimation.



Our research focuses on the fundamentals of a business. Generally, our intrinsic values are primarily based on historical company results and our assessment of the long-run profitability of a business. Typical sources of information for this analysis include, but are not limited to, public filings (if available), company reports, media publications, third-party research, and databases. LCP uses this information to determine the true worth of a business. If a company's stock price is currently below LCP's true worth assessment of the business, LCP believes that such security offers above-average upside potential and may elect to buy the security for appropriate accounts.

This approach to Graham & Dodd investing for the strategies is applied worldwide to companies in all countries and industries. LCP portfolios are formed as a result of where value is found, in other words, based on a bottom-up approach. Macroeconomics forecasting is not an element of LCP's investment approach. LCP does not attempt to match to the security allocations of a particular index, but rather is 'benchmark-agnostic', meaning there is low benchmark sensitivity. However, we do abide by product and client-specific constraints to control portfolio risk.

History indicates that it may take between three (3) to five (5) years for the market to realize the true value of a business. LCP believes that this long-term investment horizon is needed for the process to be fully appreciated. However, no one particular investment philosophy is a guarantee of future investment performance.

#### International Equity Value ("IEV")

The investment objective of the LCP IEV strategy is to achieve long-term capital appreciation by investing in the equity securities of non-U.S. issues, utilizing the value philosophy described above. LCP generally expects that IEV portfolios will be invested in approximately twenty (20) to fifty-five (55) issues. Typically, no more than five percent (5%) of the value of IEV portfolio total assets will be invested in any one security at the time of purchase. Companies considered for purchase generally have a market capitalization of \$1 billion at the time of purchase.

IEV Portfolios may invest up to the greater of either: (a) twenty-five percent (25%) of the account's assets in any particular country or industry at the time of purchase; or (b) one hundred fifty percent (150%) of the weighting of such country or industry as represented in the Morgan Stanley Capital International (hereinafter "MSCI") EAFE Index at the time of purchase. Generally, no more than twenty percent (20%) of the value of IEV portfolio total assets, at the time of purchase, may be invested in securities of companies located in emerging markets.

#### Global Equity Value ("GEV")

The investment objective of the LCP GEV strategy is to achieve long-term capital appreciation by investing in the equity securities of U.S. and non-U.S. issues, utilizing the value philosophy described above. LCP generally expects that GEV portfolios will be invested in approximately twenty (20) to fifty-five (55) issues. Typically, no more than five

percent (5%) of the value of GEV portfolio total assets will be invested in any one security at the time of purchase. Companies considered for purchase generally have a market capitalization of \$1 billion at the time of purchase.

GEV Portfolios may invest up to the greater of either: (a) twenty-five percent (25%) of the account's assets in any particular country or industry at the time of purchase; or (b) one hundred fifty percent (150%) of the weighting of such country or industry as represented in the MSCI World Index at the time of purchase. Generally, no more than twenty percent (20%) of the value of GEV portfolio total assets, at the time of purchase, may be invested in securities of companies located in emerging markets.

### **Principal Equity Risks**

You should consider these risks before opening an account with us.

**Market Risk:** Stocks may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may decline in response. In addition, the types of stocks in which a particular account invests, such as deep-value stocks, relative-value stocks, large-capitalization stocks, mid-capitalization stocks, small-capitalization stocks and/or micro-capitalization stocks may underperform the market as a whole. Value stocks can continue to be undervalued by the market for long periods of time. Dividends on common stocks are not fixed, but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of common stocks in which an account invests will declare dividends in the future or that if declared they will remain at current levels or increase over time. Market value does not always reflect the intrinsic value of a company.

**Small and Mid-Cap Issuer Risk:** Additional risk exposure lays in the relatively smaller stock focus of the Small Cap Value and Mid Cap Value strategies. Smaller capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these smaller companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group.

**Style-Specific Risk:** The strategies are subject to the risk that value stocks may fall out of favor with investors and underperform other asset types. The price of a company's stock may take a long time to, or never, reach the value that LCP considers to be its intrinsic value.

**Liquidity Risk:** The strategies are subject to the risk that there may be little or no active trading market for some companies, making it more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities may fall dramatically.

Investments in small and mid capitalization securities tend to have greater exposure to liquidity risk than large capitalization securities.

**Concentration Risk:** This is the risk of a portfolio focusing a greater portion of its assets in a smaller selection of investments. Because our portfolios may invest in a relative small number of issuers, the fall in price of a particular equity investment will have a greater impact on the portfolio and thus greater losses.

**Currency Risk:** When we buy foreign securities, they are purchased with foreign currency, which will fluctuate against the U.S. dollar. You may benefit from changes in exchange rates, or an unfavorable change in exchange rate may reduce, or even eliminate, any return on a U.S. investment. While most of our strategies are not subject to any specific geographic diversification requirements, we diversify investments among countries where appropriate to reduce currency risk. We generally do not hedge against changes in currency rates, but may do so where appropriate for certain accounts. Some emerging market countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Further, certain currencies may not be traded internationally. Certain of these currencies have experienced and may continue to experience a steady devaluation relative to the U.S. dollar.

**Foreign Market Risk:** Some strategies invest in securities sold outside of the U.S. The value of foreign securities may fluctuate more than U.S. investments because companies outside of the U.S. are not subject to the same regulations, standards, reporting practices and disclosure requirements that apply in the U.S. Public information may be limited with respect to foreign issuers and foreign issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Some foreign markets may not have laws to protect investor rights. Political instability, social unrest or diplomatic developments in foreign countries could affect the securities or result in their loss. There is a chance that foreign securities may be highly taxed or that government-imposed exchange controls may prevent investors from taking money out of the country. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

**Emerging Markets Risk:** Securities markets in emerging market countries may be smaller than those in more developed countries, making it more difficult to sell securities in order to take profits or avoid losses. Companies in these markets may have limited product lines, markets or resources, making it difficult to measure the value of the company. Potential political instability and corruption, as well as lower standards of regulation for business practices, increase the possibility of fraud and other legal problems. Public information may be limited with respect to emerging markets issuers and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Therefore, the value of strategies that invest in emerging markets may rise and fall substantially.

Additionally, an account's income from non-U.S. issuers may be subject to non-U.S. withholding taxes. Dividends may be paid on some American Depositary Receipts ("ADRs") and ordinary shares and many non-U.S. countries impose dividend withholding taxes up to

30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable portfolios may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt portfolios, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit and therefore may be unable to recover any foreign taxes withheld on dividends of ADRs or ordinary securities.

Non-U.S. issuers generally are not subject to uniform accounting, auditing, and financial reporting standards or to other regulatory requirements that apply to U.S. companies; therefore, less information may be available to investors concerning non-U.S. issuers. In addition, some countries restrict to varying degrees foreign investment in their securities markets. These restrictions lay limit or preclude investment in certain countries or may increase the cost of investments. The above risks may be particularly significant in emerging markets countries. To the extent an account invests in depository receipts, an account will be subject to the same risks as when investing directly in non-U.S. securities.

### **Types of Equity Securities**

LCP will create a portfolio consisting of one or more of the following equity securities, depending on the management style selected by the client including common stocks; preferred stocks; securities convertible into common stocks; equity interests in Real Estate Investment Trusts ("REITs"); shares of closed-end investment companies; exchange-traded funds ("ETFs"); participation shares; savings shares; and/or nonvoting shares. We may also acquire an interest in a foreign company on your behalf in the form of ADRs, European Depositary Receipts, or Global Depositary Receipts, (collectively with ADRs, "DRs") instead of acquiring the ordinary shares of the company when we believe that the fundamental investment attributes of the foreign company are attractive notwithstanding the limitations that may be imposed on DRs. DR holders may not enjoy all the rights and benefits of the holders of ordinary shares, in that they may have a limited ability to participate in corporate actions and vote proxies, they may incur additional fees and may have differing tax consequences from the holders of ordinary shares.

Certain strategies may also be offered in an ADR-only format. An ADR only format may present certain limitations with respect to the range of possible investments and available issuers as opposed to other formats. The ADR-only format may result in added issuer risk and less account diversification.

LCP may employ the use of money market funds for cash sweeps of uninvested cash. Other than the use of money market funds for cash sweeps (and the limited circumstances in which LCP may purchase closed-end investment company shares for client accounts), LCP will not generally include mutual fund investments in client portfolios. Mutual funds pose their own set of risks. Clients should understand that mutual funds are not insured by the FDIC, NCUSIF, or any other federal government agency and are not deposits or obligations of, guaranteed by, or insured by, the depository institution where offered or any of its affiliates. Mutual funds involve investment risk and may lose value.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of LCP or the integrity of LCP's management. LCP has no information applicable to this Item.

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

LCP has no other financial industry activities or affiliations required to be disclosed here.

### **Item 11 – Code of Ethics**

LCP does not directly purchase or sell equity securities for its own account. All employees are required to subscribe to and be bound by the Code of Ethics and the Standards of Practice of the CFA Institute.

LCP's Code of Ethics describes its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, and personal securities trading procedures, among other things. All supervised persons at LCP must acknowledge the terms of the Code of Ethics annually, or as amended. The Compliance Manual also includes policies restrictions on the acceptance of significant gifts.

Further, certain rules will be adopted with respect to personal trading defined as follows:

- transactions for the employee's own account,
- transactions for family accounts including husband, wife, minor children, or other dependent relations, and
- transactions for the accounts in which the employee has a beneficial interest.

In the above definition, it is assumed that the employee has discretionary investment control over family-related accounts, the definition of personal transactions for sisters, brothers, parents, parents-in-law or brothers/sisters-in-law.

Personal trading by employees shall not interfere with or take precedence over LCP's business. No transaction may be recommended or made on the basis of inside information. Two LCP officers serve on the Boards of public companies: Reliance Steel and Aluminum Company and Infinity Property and Casualty Corporation. Because of their positions as Directors, LCP will not take any positions in the securities of these companies.

All transactions by employees will be "normal way" transactions. It is specifically prohibited for an advisory representative to "front run" an order or recommendation. Front running consists of executing a personal transaction in the same or related security in advance of the LCP's customer transaction of a similar nature.

In order to ensure compliance, an employee must report all transactions and the existence of any brokerage account to the CCO. The CCO regularly reviews those statements to

confirm that there were no transactions within the blackout period. These records will be reviewed quarterly to ensure compliance with the policy.

Employees are required to pre-clear all equity transactions with the CCO. No personal equity transactions may be conducted within two days after, or, if known, two days before LCP has bought or sold the security for a client account ("the blackout period"). Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that such advisory representatives might benefit from market activity by a client in a security held by an employee. As described above, personal trading is monitored under the Code of Ethics and incorporates procedures to reasonably prevent conflicts of interest between LCP and its clients.

It is LCP's policy not to make, and to prohibit its employees from making, any political or charitable contributions, or gifts, for the purpose of obtaining or retaining the firm's engagement as an investment adviser to a client or prospective client. However, employees may make political or charitable contributions or gifts, which are not intended to achieve the aforementioned purpose and which have been pre-approved by the CCO pursuant to LCP's political contribution and gift policy. For a full copy of our Code of Ethics, contact Wendell Williams at 626-568-2792 or via email at [wwilliams@lombardiacapital.com](mailto:wwilliams@lombardiacapital.com).

## **Item 12 - Brokerage Practices**

LCP attempts to select brokers on the basis of the most favorable markets, prices, and execution of orders. In selecting brokers for clients who have given LCP authority to do so, the firm allocates portfolio transactions to brokers selected by LCP based on the firm's evaluation of their capability to provide the best execution of the client's transactions (i.e., the best overall costs or proceeds the client). Factors considered include commission rates, the availability of the broker-dealer to effect the transaction, the broker's facilities, reliability, financial responsibility, responsiveness to LCP, and any research, other services, and products provided by the broker.

LCP has arrangements with a number of broker-dealers who provide research services to the firm in exchange for brokerage commissions ("soft dollar arrangement"). As a result, clients may pay commissions higher than those obtainable from other brokers in return for those products and services. These soft dollar arrangements apply to all clients as these products are used to service all of our clients' accounts.

With respect to soft dollars, LCP traders periodically generate reports of commission use for review by the CCO. For each broker that has received commissions on advisory client trades, the report shows the total amount of commissions year-to-date (including soft dollar commissions) and, as applicable, the annual commission goal and percentage of the goal currently achieved. This report is compared to soft dollar summaries provided by the brokers to verify whether there are any discrepancies between the services provided and those received.

Annually, the LCP Brokerage Committee establishes an estimated soft dollar budget and reviews the list of brokers with whom LCP is transacting business. The Committee reviews the summary annually to assure that all products that are paid in soft dollars are included on the list. The Committee reviews the commission totals directed to each broker for the previous year and determines whether adjustments to such direction need to be made based on additional soft dollar arrangements. Alternate arrangements for payment of services to the broker may be made if necessary. The summary is revised as needed.

At least semi-annually, LCP evaluates systematically the execution performance of its brokers. The review of brokers consist of the factors set forth above, including any other factors necessary for LCP to make a reasonable decision about its best execution determinations, including:

- reason for using that broker (i.e., research, execution only, etc.),
- unusual trends (such as higher than usual commission rates or a large volume of business directed to a broker), and
- potential conflicts of interest.

Where clients have designated a specific broker-dealer for a portion of their trade executions or target a percentage of its brokerage business to minority, woman, or disabled person-owned/controlled brokerage firms, LCP is less likely to be able to negotiate more favorable commission rates and volume discounts. In these instances, every effort is made to meet the client's interests while achieving the best execution for the client.

It is LCP's policy to execute securities transactions in such a manner as to provide the best execution under the current conditions of the market and consistent with the current objectives of the portfolio manager initiating the order for the account. In the event that several broker-dealers offer equal execution capabilities, LCP may take into account research services offered by the firm.

Experience has proven that given varying market conditions, size of transactions and portfolio objectives, the selection of various markets and methods of execution can be critical. Consequently, LCP will retain full discretion to utilize whatever market or markets it deems most appropriate in the handling of each individual order.

LCP reserves the right to select brokers of its own choice in the placement of security transactions. Exceptions will be considered in accounts where there is a request in writing that brokerage be directed to a particular firm and that such direction is in the best interest of the fund and its participants.

For fiduciary accounts, such as those subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), LCP may request from the plan sponsor the following acknowledgements:

1. that the cash rebate, goods, or services to be provided by the broker-dealer are for the exclusive benefit of the fiduciary account and its beneficiaries,

2. that the obligation to pay for the services that are directly or indirectly provided under the soft dollar arrangement is the obligation of the fiduciary account, rather than of any other party, and
3. that the net cost to the fiduciary account does not exceed that which the fiduciary account would have incurred in the absence of the soft dollar arrangements.

Where LCP does not have the right to select the broker, orders usually cannot be bundled with other accounts and the elimination of the selection of brokers might also reduce the choice of markets, selection of trading method, and limit flexibility in negotiation of commissions. LCP attempts to be equitable in the allocation of trade execution in those instances where clients have designated specific broker-dealers for all or a portion of their trade executions by randomizing the sequencing of directed trades with those where LCP has full trading discretion.

The broker-dealers who provide the soft dollar arrangements are part of our usual list of approved brokers and are evaluated consistent with LCP's practices regarding best execution as noted above.

LCP uses soft dollars to purchase brokerage and research services as permitted under Section 28(e) of the Securities Exchange Act of 1934. These items include research used in the investment process, including analysis and reports concerning issuers, industries, securities and economic factors and trends. With respect to brokerage services, LCP also uses soft dollars to purchase communication services related to the execution, clearance and settlement of securities transactions, and services that provide connectivity between LCP and broker-dealers. In instances where services are received that are both research related and non-research related, LCP makes a good-faith determination on that portion that is soft-dollar eligible and pays hard dollars for the balance.

As with any soft-dollar allocation, LCP has a potential conflict of interest and continuously makes a good-faith effort to allocate brokerage appropriately. To the extent that any deficit exists to a broker-dealer pursuant to a soft-dollar arrangement, such deficit would present a conflict of interest. Any such conflict of interest would be handled appropriately in the best interest of the client.

### **Item 13 – Review of Accounts**

Separate accounts are reviewed by a portfolio manager when changes are made to the account. Each account will also be reviewed monthly to ensure that stocks allocated to the account are in accordance with the policy guidelines established by the relevant strategy and in accordance with the specific investment restrictions and policies.

In general, clients receive monthly reports from the trustee and/or custodian for the account. The nature and frequency of reports sent by the firm is determined primarily



according to the client's particular need. The firm may provide monthly and/or quarterly reports as required and may meet with each client either quarterly or annually depending on client preference.

Further, the firm is always available to meet with clients upon request.

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

LCP currently has no solicitation arrangements.

LCP requires that all solicitation and marketing arrangements with third parties must be in writing and disclosed to clients in Form ADV or otherwise, in accordance with Rule 206(4)-3 of the Advisers Act. In addition, the solicitor must provide a written disclosure statement to potential clients describing the solicitor's compensation arrangements with LCP. LCP retains an acknowledgment from the client that it has received such disclosure.

#### **Item 15 – Custody**

Clients receive monthly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. LCP urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. LCP provides monthly and/or quarterly reports, which may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

LCP usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, LCP observes the investment policies, limitations, and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to LCP in writing.

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

LCP, when contracted to do so by our client, will vote proxies on their behalf. LCP has contracted with a third-party service provider to handle proxy voting for those clients and votes them in a manner consistent with the service provider's Proxy Voting Policy. However, for our international and/or global equity strategies, we may, at times, override our service provider's voting preference if we feel doing so is in the best financial interests of our clients. If the client provides other proxy voting guidelines, LCP will instruct the service provider to vote that client's proxies in a manner consistent with the client's guidelines. For a complete copy of the Proxy Voting Policy, please contact LCP. Clients may

also obtain information from LCP about how LCP voted any proxies on behalf of their account(s) by contacting the LCP Client Service and Marketing at (626) 568-2792 or [clientservice@lombardiacapital.com](mailto:clientservice@lombardiacapital.com).

### **Conflicts of Interest**

LCP recognizes that under certain circumstances we may have a conflict of interest with our clients. Such circumstances may include, but are not limited to, situations where LCP, including officers, directors and employees, has or is seeking a client relationship with the issuer of the security that is the subject of the proxy vote. LCP will periodically inform its employees that they are under an obligation to be aware of the potential for conflicts of interest on the part of the firm with respect to voting proxies on behalf of its client, both as a result of the employee's personal relationships and due to circumstances that may arise during the conduct of LCP's business, and to bring conflicts of interest of which they become aware to the attention of the proxy manager.

LCP will not vote proxies relating to such issuers on behalf of its client accounts until it has determined that the conflict of interest is not material or a method of resolving such conflict of interest has been agreed upon by LCP's Management Committee. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence LCP's decision-making in voting a proxy. Materiality determinations will be based upon an assessment of the particular facts and circumstances. If LCP determines that a conflict of interest is not material, LCP may vote proxies notwithstanding the existence of a conflict. If the conflict of interest is determined to be material, the conflict shall be disclosed to the Management Committee and LCP shall follow the instructions of the Management Committee. LCP shall keep a record of all materiality decisions and report them to the Management Committee on an annual basis.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about LCP's financial condition. LCP has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.