

ITEM 1 COVER PAGE

Laffer Investments Inc.

Form ADV, Part 2A
("Brochure")

March 30, 2012

103 Murphy Court
Nashville, TN 37203
Phone: (615) 460-0100
Fax: (615) 460-0102

This Brochure provides information about the qualifications and business practices of Laffer Investments. If you have any questions about the contents of this Brochure, please contact us at (615) 320-3989. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Laffer Investments may refer to itself as a "registered investment adviser" or "RIA". You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Laffer Investments is also available on the SEC's Investment Adviser Public Disclosure ("IAPD") website at www.adviserinfo.sec.gov.

Item 2. MATERIAL CHANGES

There are no material changes from the prior brochure. However, please refer to our Supplemental Education & Experience Brochure regarding our personnel.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

You can find this document as well as other information about Laffer Investments and other registered advisors at the SEC's website (www.adviserinfo.sec.gov).

Item 3. TABLE OF CONTENTS

Section	Page Number
ITEM 1 COVER PAGE.....	1
ITEM 2 MATERIAL CHANGES.....	2
ITEM 4 ADVISORY BUSINESS	4
ITEM 5 FEES AND COMPENSATION	7
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	10
ITEM 7 TYPES OF CLIENTS.....	10
ITEM 8 METHODS OF ANALYSIS, INVESTMENTS STRATEGIES AND RISK OF LOSS.....	12
ITEM 9 DISCIPLINARY INFORMATION.....	16
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	16
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING ...	17
ITEM 12 BROKERAGE PRACTICES	19
ITEM 13 REVIEW OF ACCOUNTS.....	29
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION	30
ITEM 15 CUSTODY	30
ITEM 16 INVESTMENT DISCRETION.....	30
ITEM 17 VOTING CLIENT SECURITIES	31
ITEM 18 FINANCIAL INFORMATION	32
ITEM 19 REQUIREMENTS FOR STATE REGISTERED ADVISERS.....	32

Item 4 **ADVISORY BUSINESS**

Laffer Investments Inc. ("**Laffer Investments**" or the "**Firm**") was incorporated in 1999 and started managing discretionary accounts in August of 2000. The firm was founded by the two current primary principals, Dr. Arthur B. Laffer, Chairman and Chief Investment Officer ("**CIO**") and Arthur B. Laffer, Jr., President and Chief Executive Officer ("**CEO**"). Currently there is only one non-Laffer family member who has an equity stake in the Firm, General Electric Pension Trust.

The Firm is organized as a common stock corporation and is currently domiciled in the state of Tennessee. There are no individual owners of 25% or more of the company's common stock. Specific ownership interest information is located on Schedule A of Part 1 of the firm's Form ADV.

Types of Advisory Services

Laffer Investments may provide investment advice and management services (1) as a discretionary investment adviser to domestic and foreign separately managed accounts, (2) as a discretionary investment sub-adviser to investment companies ("**Mutual Funds**") registered under the Investment Company Act of 1940 ("**1940 Act**"), (3) as a discretionary investment adviser to certain privately placed pooled investment vehicles ("**Private Funds**") which may be organized as domestic limited partnerships or limited liability companies or as foreign companies, (4) as a discretionary manager to clients participating in one or more wrap fee programs, and (5) as a non-discretionary investment adviser to certain clients, including other investment advisers (collectively, "**clients**" or "**accounts**").

Laffer Investments utilizes quantitative modeling and economic forecasting in developing advice to be provided to clients. Laffer Investments utilizes government sources for economic data as well as data provided by third party research providers. In addition, Laffer Investments utilizes specialized software programs developed by third parties.

Wrap Fee Discretionary Management Services

As further described below, Laffer Investments may serve as a portfolio manager in certain wrap fee programs, identified below. Laffer Investments may insist on a minimum account size per wrap fee client. Each wrap fee sponsor ("**Sponsor**") generally charges clients quarterly in advance some form of comprehensive fee based upon a percentage of the value of the assets under management. The comprehensive fee may include execution, consulting, custodial and other services performed or arranged by the Sponsor and an amount sufficient to cover the investment advisory services of discretionary managers such as Laffer Investments. A Sponsor collects the comprehensive fee and remits to Laffer Investments a portion of the fee paid by each wrap fee program client advised by Laffer Investments. In some wrap fee programs, the discretionary portfolio manager's fee is paid directly by the wrap fee client pursuant to a separate contract executed between the portfolio manager and the wrap fee client. In other wrap fee programs, the manager's fee is paid by the Sponsor. Laffer Investments may participate in either type of wrap fee program.

In most wrap fee programs, the Sponsor is responsible for establishing the financial circumstances, investment objectives and investment restrictions of each wrap fee client through a client profile, questionnaire and/or investment policy statement ("**Profile**") as well as consultations with the Sponsor's personnel. Each client completes a Profile and enters into a wrap fee agreement with the Sponsor. In some wrap fee programs, wrap fee program clients may also be required to enter into a separate

agreement directly with Laffer Investments or Laffer Investments may be a party to the client/Sponsor agreement. The Sponsor's wrap fee agreement establishes the services to be provided to the client by or on behalf of the Sponsor. These services may include, among other things: (1) manager selection, (2) execution, generally without a transaction-specific commission or charge; (3) custodial services; (4) periodic monitoring of discretionary managers; and (5) account evaluation.

Wrap fee clients may also be subject to additional fees and expenses (e.g., commissions on transactions executed away from the Sponsor or the Sponsor's designated broker-dealer ("**Sponsor Designated Broker**"), expenses with respect to money market funds used as a cash sweep investment vehicle, dealer mark-ups on principal transactions, and certain costs or charges imposed by third-parties including odd-lot differentials, exchange fees, and transfer taxes mandated by law). Generally, Sponsors are responsible for providing wrap fee program clients both the Form's Brochure and the Sponsor's own wrap fee brochure ("**Wrap Brochure**"). A Sponsor's Wrap Brochure is available on the SEC's IAPD website at www.adviserinfo.sec.gov, as Appendix 1 to the Sponsor's Form ADV, Part 2A.

Wrap fee program clients should review the Sponsor's Wrap Brochure for further details about the relevant wrap fee program. Wrap fee clients should consider that, depending on the rate of the wrap fee charged, the amount of account activity, the value of custodial and other services provided and other factors, the wrap fee may exceed the aggregate costs of the services provided if they were to be obtained separately and, with respect to brokerage, transaction based commissions. Laffer Investments is not responsible for, and does not attempt to determine, whether, in the first instance, a particular wrap fee program is suitable or advisable for any given investor. Rather, Laffer Investments is responsible for and will determine whether each wrap fee account referred to Laffer Investments is reasonably suitable for discretionary management by Laffer Investments based on the wrap fee client's Profile provided by the Sponsor. Laffer Investments reserves the right, in its sole discretion, to reject any wrap fee account referred to Laffer Investments for any reason, including, but not limited to, the wrap fee client's investment goals and restrictions.

Laffer Investments' fees for advice to clients in a wrap fee program may be less than for direct management of such an account outside of a wrap fee program. However, clients should be aware that, as discussed above, the total fees and expenses associated with a wrap fee program may exceed those which may be available if the services were acquired separately.

Non-Discretionary Advisory Services

Laffer Investments occasionally provides non-discretionary investment advisory services to certain clients, including other investment advisers, broker-dealers, account managers and fiduciaries. Such non-discretionary advice may be provided as (i) "model portfolios" that represent Laffer Investments' recommendations as to the composition of a portfolio of securities that would be reasonably appropriate to meet a stated investment objective, based on criteria provided by the client or (ii) "research reports and rankings" that apply Laffer Investments' proprietary analyses and models to rank a universe of securities selected by the client (or Laffer Investments), from best to worst, according to criteria supplied by the client and/or Laffer Investments. The Firm's fees for non-discretionary management services are negotiable and the Firm does not maintain any standard fee schedule with respect to such services.

Model Portfolios

Currently, Laffer Investments serves as a non-discretionary "Model Portfolio Provider" to Wells Fargo

Advisors (“**Wells**”), Stifel Nicolaus (“**Stifel**”), 1st Global Advisors (“**1st Global**”), Placemark Investments (“**Placemark**”) and Benjamin F. Edwards & Co. (“**BFEC**”) in the Allocation Advisors program (“**AA Program**”), SCORE, Investment Management Solutions Unified Choice (“**IMS Unified Choice**”), UMA Marketplace and Benjamin F. Edwards ETF Portfolios (“**BFEETF**”) programs respectively. Under each program, Laffer Investments provides non-discretionary recommendations to assist in the development of a portfolio of investments in country-basket, regional, currency and other exchange-traded funds (“**ETFs**”), which generally are passively managed and designed to track the performance of specific benchmark or index, that certain advisers (i.e., program sponsors) determine to be suitable for their clients (such as clients using the AA Program, SCORE and BFEETF). Laffer Investments’ role is solely to provide research and portfolio recommendations to the program sponsors. Wells, Stifel and BFEC retain full discretion to accept, modify or reject Laffer Investments’ recommendations. The clients in such programs are clients of each sponsor and are not clients of Laffer Investments.

Research Reports and Rankings

Clients may request that Laffer Investments’ rank a universe of securities selected by the client, from best to worst, based on criteria determined by the client and/or Laffer Investments, often in consultation with Laffer Investments. In producing these research reports and rankings, Laffer Investments applies proprietary formulae and models based on pre-determined quantitative macroeconomic factors to the selected universe. Clients have the opportunity to customize the ranking criteria by adding, removing or altering the relative weightings applied to the relevant factors in the particular model. Fees for research reports and rankings are negotiable. Research reports and rankings are not intended to represent Laffer Investments’ view as to the desirability of buying, selling or holding a particular security, nor do they include any explicit buy, sell or hold recommendation. Rather, recipients are expected to use the information provided by Laffer Investments in making investment decisions for their own accounts or those of their clients’ accounts. Laffer Investments does not exercise discretionary authority over any such accounts nor do they provide non-discretionary advice to such accounts on the basis of any client’s individualized investment objectives, goals and restrictions. Recipients of Laffer Investments’ research reports and rankings may include persons who may otherwise be clients of Laffer Investments.

Client Directed Restrictions

Investments for separately managed accounts, wrap fee clients, and mutual funds are managed in accordance with the client’s stated investment objectives, strategies, restrictions and guidelines, as communicated to Laffer Investments by the client (or the client’s primary adviser or wrap fee program Sponsor).

For discretionary portfolios managed either directly by Laffer Investments or by Laffer Investments through a wrap fee program, Laffer Investments will typically allow clients a limited amount of restrictions to be imposed upon their portfolios. In all such cases where a client is requesting account restrictions, Laffer Investments first and foremost takes into account the impact that the restrictions could have on the management of the account and the Firm’s ability to adequately implement its investment process. Each request for investment restrictions by clients will be evaluated on a case by case basis by the Firm for acceptance or rejection.

Assets Under Management

As of December 31, 2011, Laffer Investments managed \$319.4 million in discretionary assets.

Item 5 FEES AND COMPENSATION

The following discussion represents the basic compensation arrangements of Laffer Investments. However, fees and other compensation are negotiable in certain circumstances and arrangements with any particular client may vary.

Methods and Manner of Billing

Unless specifically stated to the contrary, fees will be calculated based upon the aggregate market value of all assets under management within the client's account(s), including allocations to cash. Fees that are calculated as a percentage of assets under management are generally charged quarterly in arrears; however, as discussed below, fees charged to wrap fee clients by wrap fee Sponsors, including the portion of such fees payable to Laffer Investments for its portfolio management services, may be paid in advance.

Investment advisory agreements between Laffer Investments and its clients are generally terminable at any time by the client or the Firm upon 30-day advance notice by either party to the other. Such termination may require that written notice be given by the terminating party. In the event of termination during a quarterly period, the client will pay only that portion of the fee earned by Laffer Investments up to the actual date services are terminated. To the extent that fees are paid to the Firm in advance and a client terminates its agreement during the quarterly period, Laffer Investments (or the wrap fee Sponsor, as applicable) will refund to the client a pro rata portion of the fee paid.

Fees for clients with assets under management in excess of \$100 million may be negotiable and Laffer Investments may group multiple accounts of a client together for fee billing purposes. Fees may be negotiated on a basis that differs from these schedules if circumstances warrant. For example, Laffer Investments may on occasion enter into fixed fee arrangements. There may also be differences in fees paid by certain clients based on account inception dates.

Clients may request that fees owed to Laffer Investments be deducted directly from the client's account. In instances where a client has authorized direct billing, the client's "qualified custodian" for purposes of the Custody Rule (as defined below) sends periodic statements, no less frequently than quarterly, showing all transactions to the account in accordance with Rule 206(4)-2 ("**Custody Rule**") under the Investment Advisers Act of 1940, as amended ("**Advisers Act**"). Clients may also request that billings be made directly to the client or a designated third party if authorized in writing by the client.

Domestic (U.S.) Separately Managed Account Fee Schedule

Laffer Investments generally offers the following investment mandates according to Laffer Investments' general fee schedules, as follow:

U.S. Convertible Strategy

100 basis points on the first \$10 million in assets under management per client,
75 basis points on the next \$40 million in assets under management per client,
60 basis points on all assets over \$50 million under management per client.

U.S. Convertible Income Strategy

100 basis points on the first \$10 million in assets under management per client,
75 basis points on the next \$40 million in assets under management per client,
60 basis points on all assets over \$50 million under management per client.

U.S. Dividend Growth Strategy

100 basis points on the first \$10 million in assets under management per client,
75 basis points on the next \$40 million in assets under management per client,
60 basis points on all assets over \$50 million under management per client.

U.S. Equity Large Capitalization Strategy

75 basis points on the first \$5 million in assets under management per client,
60 basis points on the next \$45 million in assets under management per client,
50 basis points on all assets over \$50 million under management per client.

U.S. Fixed Income ETF Strategy

45 basis points on the first \$5 million in assets under management per client,
35 basis points on the next \$5 million in assets under management per client,
25 basis points on all assets over \$10 million under management per client.

Global Equity & International Equity Strategy

100 basis points on the first \$5 million in assets under management per client,
80 basis points on the next \$15 million in assets under management per client,
70 basis points on the next \$25 million in assets under management per client,
60 basis points on all assets over \$50 million under management per client.

US Inflation Strategy

100 basis points on the first \$5 million in assets under management per client,
85 basis points on the next \$5 million in assets under management per client,
75 basis points on the next \$15 million in assets under management per client,
60 basis points on all assets over \$25 million under management per client.

Wrap Fee Program Clients

For fee arrangements with wrap fee program clients, the program Sponsor generally collects the total wrap fee and remits the advisory portion to Laffer Investments. The advisory portion payable to Laffer Investments may vary from program to program and within a single program based on the desired investment mandate. Information on the total wrap fee is included in the Wrap Brochure provided by the program Sponsor. The current advisory portion payable to Laffer Investments generally ranges from 0.20% to 0.70%.

Mutual Funds and Private Funds

Advisory fees payable to Laffer Investments are described in detail in each Mutual Fund's prospectus and statement of additional information. Fees payable to Laffer Investments or one of its affiliates are described in detail in each Private Fund's governing documents and PPM.

Other Fees and Expenses

Laffer Investments does not provide custody services to clients. Therefore, except for wrap fee program clients and non-discretionary accounts, clients are responsible for contracting with an independent custodian prior to engaging the Firm to provide advisory services to such clients. Any fees owed to custodians for their services are exclusively the responsibility of the client (including clients that are Mutual Funds or Private Funds).

In addition to the fees charged by Laffer Investments for the advisory services rendered, clients of Laffer Investments (including, indirectly, Underlying Investors in Private Funds or investors in Mutual Funds) bear certain other fees, expenses and costs which are incidental or related to the maintenance of an account or the buying, selling and holding of investments including, but not necessarily limited to: (1) custodial charges (as described above); (2) brokerage fees, commissions and other related transaction costs and expenses; (3) governmental charges, taxes and duties; (4) transfer fees, registration fees and other expenses associated with buying, selling or holding investments; (5) withholding taxes payable and required to be withheld by issuers or their agents; and, (6) as discussed below, fees associated with investments in other, pooled investment vehicles. For additional information about brokerage fees, commissions and other related transaction costs and expenses, please refer to the discussion in Item 12 below.

Uninvested cash balances in a client account may be swept into money market funds (or similar cash vehicle) which may be sponsored by the client's custodian, broker-dealer or wrap-fee Sponsor. When money market funds are used for cash management purposes, the client, in effect, may pay two advisory fees with respect to the amount of assets so invested (i.e., the money market fund's fees and expenses and that portion of the Laffer Investments' management fee attributable to such assets).

Special Fee Arrangements

Laffer Investments reserves the right, in its sole discretion, to negotiate and to charge different fees for certain accounts based on a client's particular needs or requirements as well as overall financial condition, goals, risk tolerance and other factors unique to the client's particular circumstances. In particular, fee schedules for foreign (non-U.S.) clients and offshore Private Funds may be higher due to increased administrative costs and requirements. The maximum fee that might be charged is 2%, exclusive of any incentive component or allocation (i.e., performance fees).

Compensation of Supervised Persons

Sales persons employed by Laffer Investments are generally compensated based upon asset under management of accounts they service. Compensation is paid on a cash received basis for fees derived in the management of client accounts and is upon a declining percentage schedule over a multi year period.

Valuation

Laffer Investments may be required to manually price a security when a market price is not readily available or when Laffer Investments has reason to believe that the market price is inaccurate. Because Laffer Investments may be compensated on the basis of the value of assets held in and/or the performance of the accounts it manages. To the extent that Laffer Investments values a security higher than its current market value, Laffer Investments may benefit by receiving a fee based on the increased value of the assets in an account. When manually pricing a security, Laffer Investments attempts, in good faith, to determine the fair value of the security in question, considering such relevant factors as: the nature and type of security; the marketplace in which the security trades; the pricing and trading history, if any, of the security and of other similar securities and issuers; and other relevant factors. Laffer Investments may rely on prices provided by a custodian or a third-party pricing service for valuation purposes.

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

In addition to the regular fee schedules provided in response to Item 5 above, Laffer Investments may offer a performance-based fee schedule, which consists of a base fee and a minimum and maximum performance fee at levels of performance above or below an agreed upon market benchmark. Other performance fee arrangements may be negotiated with certain clients. Any performance fees charged by Laffer Investments to clients will be in compliance with Rule 205-3 under the Advisers Act unless that rule is inapplicable by reason of Section 205(b) of the Advisers Act or interpretive positions of the Staff of the SEC. Performance fee arrangements may result in clients paying substantially more or less than they would have if they had not entered into a performance fee arrangement.

Currently, Laffer Investments does not have any performance-based fee arrangements in place.

The Firm understands that having performance and non-performance based fee arrangement can create a potential conflict of interest with respect to accounts managed in a similar fashion. Those accounts with performance based fees could potentially be far more profitable to the Firm in cases where high absolute performance is achieved versus their non-performance fee counterparts. In addition, the Firm understands that performance based fee arrangements may create an incentive for Laffer Investments to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. The management of the Firm has instituted a review process to monitor the timing, amounts and consistency of buy and sell decisions by individual portfolio managers for like accounts having different fee arrangements to mitigate any conflicts and to seek to assure equitable treatment of all client accounts.

Item 7 TYPES OF CLIENTS

Laffer Investments has clients that fall into the following general categories:

- Individuals
- Foundations
- Endowments
- Mutual Funds
- Private Funds
- Retirement Plans
- Pension Funds
- Broker Dealers
- Corporations

- Investment Advisers
- Private Funds

Pooled Funds

As discussed above in response to Item 4, Laffer Investments may provide investment advice and management services as a discretionary investment adviser to pooled funds such as Mutual Funds and Private Funds. This Brochure normally is provided to board of directors/trustees of a Mutual Fund advised by Laffer Investments. Investors in a Mutual Fund advised by the Firm should be aware that while this Brochure may include information about the Mutual Funds, it should not be considered to be an offering document regarding any Mutual Fund or its objectives, strategies, restrictions and represent risks associated with an investment in a Mutual Fund.

In addition, the Brochure may be provided to Underlying Investors in a Private Fund, together with the Private Fund's PPM, organizational documents and other related documents, prior to or in connection with such person's consideration or execution of a subscription agreement with respect to a Private Fund, and may subsequently be provided in the discretion of Laffer Investments or, annually, at the request of an Underlying Investor in a Private Fund. Underlying Investors in a Private Fund and other recipients should be aware that while this Brochure may include information about the Private Funds, as necessary or appropriate, it should not be considered to represent a complete discussion of the features, risks or conflicts associated with an investment in a Private Fund. More complete information about each Private Fund is included in the Private Fund's PPM, which may be provided to current and eligible prospective investors only by Laffer Investments or another authorized party.

In no event should this Brochure be considered to be an offer of interests in a Mutual Fund or Private Fund or relied upon in determining to invest in such investment products. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of the Brochure. Rather, this Brochure is designed solely to provide information about Laffer Investments for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in prospectus and statement of additional information ("**Prospectus**") for a Mutual Fund or PPM for a Private Fund. To the extent that there is any conflict between discussions herein and similar or related discussions in any Prospectus or PPM, those documents should govern.

Minimum Investment Guidelines

Generally, Laffer Investments requires a minimum account size of \$1,000,000 or more to establish a discretionary account with the Firm. For those clients utilizing a third party wrap fee program the typical minimum account size to establish an account with Laffer Investments is \$100,000. The Firm reserves the right to raise or lower the minimum account size to establish an account with the Firm. Some reasons that may cause the Firm to lower its minimum threshold are the length of a client relationship, multiple accounts with a client or household, etc.

Establishing An Account

In order to establish an account with Laffer Investments a client generally must select an independent custodian that will have custody of the client's assets that is acceptable to the Firm. The client must

enter into an investment management agreement with the Firm, which includes information on fees, investment services, brokerage activities, proxy voting, termination requirements, etc.

Item 8 METHODS OF ANALYSIS, INVESTMENTS STRATEGIES AND RISK OF LOSS

In managing discretionary client accounts and providing recommendations to non-discretionary clients, Laffer Investments uses different investment strategies and methods of analysis, as described below, and clients will be subject to different risks. The response to this Item 8 contains a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held in the account.

While Laffer Investments seeks 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 all risks. Almost any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients and Investors in Mutual Funds and Underlying Investors in Private Funds should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential loss.

Clients and Investors should be aware that while Laffer Investments does not limit its advice to particular types of investments, mandates may be limited to certain types of securities (e.g., convertible securities) and may not be diversified. The accounts managed by Laffer Investments are generally not intended to provide a complete investment program, and Laffer Investments expects that the assets it manages do not represent all of the client's or Investor's assets. Therefore, Laffer Investments assumes no responsibility for the adequate diversification of or risk of loss of a client's other assets.

Investment Risks

General Risk and Loss of Account Value

The investment decisions made for accounts by Laffer Investments are subject to various market, currency, economic, political and business risks, and investment decisions will not always be profitable. The investments for accounts may include positions in convertible securities, ETFs, common stocks, bonds, preferred stocks, and other securities which may be volatile and may subject accounts to losses on both a short-term and extended basis. Clients may be more susceptible to such risks where the account is invested, in accordance with the agreed-upon style, in the securities of a limited number of issuers. There can be harmful effects on the performance that result from short-term volatility which may have a particularly acute effect on smaller accounts. The value of investments may go up as well as down and are not guaranteed. It is possible that an account could lose its entire investment value.

General Risks of Investing in Stocks

Stocks are an investment representing equity ownership in a company. As an owner, you incur the risk of the company's success, meaning you don't reap rewards unless the company is doing well and you risk loss of capital if the company fails. This risk is inherent in stocks with more involved than just knowing your investment will fluctuate up and down.

Loss of Investment Risk

When you buy stock, you accept the risk of losing all your money. This happens if the company fails, going bankrupt. In bankruptcy, the owners are paid out last after creditors are paid. Creditors include corporate bondholders, a different type of investor who buys bonds, lending the company operating capital for a designated period of time called a term. In return, the bondholder gets paid interest for the bond. Bondholders are ahead of stockholders when it comes to getting investment funds back from a failed company.

Market Capitalization Risk

Not every stock has the same level of risk to lose all investment funds. Market capitalization is a term describing how large the company is based on stock dollars invested. Generally speaking, larger companies are more established with less risk, called large-cap stocks. Mid-cap and small-cap stocks are riskier with less corporate history and smaller capitalization values. Investors must prepare themselves for market fluctuations. While any stock can see extreme fluctuations in stock price, large-cap stocks tend to fluctuate in smaller ranges than mid- and small-cap stocks.

Liquidation Risk

Financial advisers recommend that you maintain stock portfolios as long-term investments. This provides time to ride out the ups and downs of market conditions. Liquidity risk refers to not being able to cash your stocks out for as much as you want when you want because the market is down. Investors trading more frequently see the risks of liquidity and daily stock movements more clearly. Buying a stock at \$25 per share this week doesn't foresee the possible market downturn next week, dropping the stock price to \$15 per share. While three weeks later the stock might be trading at \$40 per share, if you needed the money in the second week, you would be taking a large loss on it.

International Investing Specific Risks

Foreign stocks markets are especially volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments and the returns from foreign stocks may be lower than those from domestic securities. In addition, to the extent that a client's account is invested in small-cap and mid-cap foreign securities, historically small-cap and mid-cap stocks have been more volatile in price than the price of the large-cap stocks that dominate foreign and domestic stock markets and often perform quite differently than large-cap stocks and the overall domestic stock market. In addition, international investing is subject to country and regional risk, which is the risk that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in specific foreign countries or regions. Because some international strategies may invest a large portion of account assets in securities of companies located in any one country or region, including emerging markets, an account's performance may be adversely affected by the poor performance of its investments in that country or region. Country and regional risk is especially high in emerging markets. Finally, international investments could be harmed by currency risk, which is the risk that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

Fixed Income/Bond Investing Specific Risks

Interest rate risk: Interest rate risk is the risk that debt securities will decline in value because of changes in market interest rates. Generally, when market interest rates rise, the value of debt securities declines, and vice versa. An account's investment in such securities means that the value of the account will tend to decline as market interest rates rise. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change.

Credit risk: Credit risk refers to an issuer's ability to make payments of principal and interest when they are due. Bond prices typically decline if the issuer's credit quality deteriorates. Lower grade securities may experience high default rates, which could mean that an account may lose some or all of its investments in such securities. If this occurs, the account's value would decline.

Investment grade bond risk: Investment grade bonds are considered less risky than bonds whose ratings are below investment grade; however, ratings are no guarantee of quality. The credit quality of these bonds can decline which would normally cause the prices of these bonds to decline.

Below investment grade bond risk: These bonds, commonly known as "junk bonds", involve a higher degree of credit risk. In the event of an unanticipated default, an account would experience a reduction in its income, a decline in the market value of the securities so affected and a decline in the account's value. During an economic downturn or period of rising interest rates, highly leveraged and other below investment grade issuers may experience financial stress that could adversely affect their ability to service principal and interest payment obligations, to meet projected business goals and to obtain additional financing. The market prices of below investment grade bonds are generally less sensitive to interest rate changes than higher-rated investments but are more sensitive to adverse economic or political changes or individual developments specific to the issuer. Periods of economic or political uncertainty and change can be expected to result in volatility of prices of these securities. Nationally recognized statistical rating organizations consider these bonds to be speculative in nature.

Exchange Traded Funds Risks

An ETF is an investment vehicle that combines key features of traditional mutual funds and individual stocks. Like index mutual funds, ETFs represent underlying diversified portfolios of securities that typically track specific market indexes. Like stocks, they can be bought and sold (long or short) on an exchange throughout the trading day. An investment in an ETF includes the risk that an account's return may not match the return of the underlying market index. In addition, the component securities of a particular index may be subject to additional risks, including the risks identified above, such as market risk. Leveraged ETF, which are designed to double or triple the returns of a particular underlying index, magnify the gains and losses of an investment in the returns of the underlying market index and are, therefore, more risky than an investment in an unleveraged ETF.

Investment Strategies

Laffer's convertible security strategies utilize a bottom-up, value oriented process in building portfolios. These strategies employ models and fundamental analysis in the creation and management of portfolios. Securities are analyzed using third party tools, company research, conference calls, news stories, credit rating agencies, security valuations (earnings, book to value, etc.) etc. Portfolios are primarily constructed using convertible fixed income securities (bonds) and convertible preferred securities (preferred stocks). These strategies have risks associated with the following risks, which are described above:

1. General Risk and Loss of Account Value
2. Fixed Income/Bond Investing Specific Risks
 - a. Interest rate risk
 - b. Credit risk
 - c. Investment grade bond risk
 - d. Below investment grade bond risk
3. Loss of Investment Risk
4. Liquidation Risk
5. Market Capitalization Risk

Laffer's fixed income non-convertible security strategies utilize a top-down macroeconomic oriented process in building portfolios. These strategies employ economic models and fundamental market analysis in the creation and management of portfolios. ETFs that invest in fixed income securities are primarily used to implement these strategies. These strategies have risks associated with the following risks, which are described above:

1. General Risk and Loss of Account Value
2. Fixed Income/Bond Investing Specific Risks
 - a. Interest rate risk
 - b. Credit risk
 - c. Investment grade bond risk
 - d. Below investment grade bond risk
3. Exchange Traded Funds Risk
4. Loss of Investment Risk
5. Liquidation Risk
6. Market Capitalization Risk

Laffer's US equity strategies utilize quantitative modeling and/or fundamental analysis in building portfolios. These strategies typically employ proprietary models/filters created by the Firm as well as fundamental security analysis to create portfolios of common stocks and ETFs. These strategies may experience high portfolio turnover and portfolio trading due to the nature of some types of the analysis. High portfolio turnover will increase the total brokerage and trading fees and costs of client accounts than a similar portfolio that has lower turnover. These increased brokerage and trading fees and costs potentially may make it more difficult for a portfolio to achieve higher returns due to the possible impact of such fees and expenses on the account's performance. These strategies have risks associated with the following risks, which are described above:

1. General Risk and Loss of Account Value
2. Exchange Traded Funds Risk
3. Loss of Investment Risk
4. Liquidation Risk
5. Market Capitalization Risk
6. General Risks of Investing in Stocks

Laffer's global strategies utilize quantitative modeling and fundamental analysis in building portfolios. These strategies employ macroeconomic models, financial models and fundamental research to evaluate international investments for client portfolios. ETFs that have underlying investments in

international securities are primarily used to implement these strategies. These strategies have risks associated with the following risks, which have been described above:

1. General Risk and Loss of Account Value
2. International Investing Specific Risks
3. Exchange Traded Funds Risk
4. Loss of Investment Risk
5. Liquidation Risk
6. Market Capitalization Risk

Laffer's Inflation strategies utilize quantitative modeling and fundamental analysis in building portfolios. These strategies employ macroeconomic models, financial models and fundamental research to evaluate investments for client portfolios. ETFs that have underlying investments in international securities, us securities (stocks and bonds) as well as commodity and real estate are primarily used to implement these strategies. These strategies have risks associated with the following risks, which have been described above:

1. General Risk and Loss of Account Value
2. International Investing Specific Risks
3. Exchange Traded Funds Risk
4. Loss of Investment Risk
5. Liquidation Risk
6. Market Capitalization Risk

Item 9 DISCIPLINARY INFORMATION

Not Applicable.

Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

GE Pension Trust ("**GEPT**") is an investor in Laffer Investments, but does not have a controlling interest, in the Firm. The investment by GEPT in Laffer Investments was primarily the result of the analysis of the Firm by GE Asset Management ("**GEAM**"), the investment manager of GEPT. Although Laffer Investments manages an account on behalf of GEPT, Laffer Investments does not manage the portion of GEPT's assets that is invested in Laffer Investments nor did Laffer Investments provide any investment advice with respect to such investment.

Laffer Associates (an affiliate of Laffer Investments) is a wholly owned entity of the Laffer family, including Dr. Arthur B. Laffer and Arthur B. Laffer, Jr. Laffer Associates is majority owned by Dr. Arthur B. Laffer with an ownership interest greater than 50%. Dr. Laffer is the Chairman of both firms and Mr. Laffer is President of both firms. Laffer Associates provides macroeconomic research and consulting services to corporations, individuals, investment advisors, governments and others. Generally, it publishes studies, reports and opinions on economic and public policy matters for use by clients. Laffer Investments utilizes some of the research, data and consulting of Laffer Associates in the course of its work and operations. Many of Laffer Associates' employees may work on the business activities of Laffer Investments as well.

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

Laffer Investments provides investment advisory services to numerous clients, using a variety of investment styles. Laffer Investments may give advice and take action with respect to any Mutual Fund, Private Fund or other account that it manages or for its own accounts or the account of an access person, that may differ from action taken by Laffer Investments on behalf of other accounts. Laffer Investments is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that Laffer Investments or an access person may buy or sell for its or their own accounts or for any other account Laffer Investments manages. Additionally, as discussed below, Laffer Investments' personnel may invest in Private Funds which, in turn, may invest in securities held in other discretionary accounts managed by Laffer Investments. Laffer Investments and its associated persons are also not obligated to refrain from investing in securities held in the accounts it manages except to the extent that such investments violate Laffer Investments' Code of Ethics ("**Code**").

Laffer Investments' employee investment programs may extend over a period of months and employees may hold securities for a year or more. From time to time, officers and employees of Laffer Investments may have interests in securities owned by or recommended to Laffer Investments' clients. As these situations may involve potential conflicts of interest, Laffer Investments has implemented procedures relating to personal securities transactions and insider trading that are designed to identify and prevent or mitigate actual conflicts of interest. These policies and procedures, including the Code, are intended to avoid conflicts of interest with clients and to resolve such conflicts appropriately, if they do occur. The Code was adopted by Laffer Investments in accordance with Rule 204A-1 under the Advisers Act and Rule 17j-1 under the 1940 Act to (i) govern personal transactions by access persons and (ii) ensure that the interests of access persons do not conflict with the interests of Laffer Investments' clients, including the mutual funds sub-advised by Laffer Investments and the shareholders of such mutual funds.

Code of Ethics and Standards of Business Conduct

Registered investment advisers are required by Rule 204A-1 under the Advisers Act to adopt a code of ethics which, among other things, sets forth the standards of business conduct required of their supervised persons and requires those supervised persons to comply with the federal securities laws. In conformity with these rules, Laffer Investments has adopted the Code.

Laffer Investments seeks to foster a reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in us by our clients, including Mutual Funds and their shareholders, individual accounts and unregistered pooled investment vehicles (including Private Funds) and their interest holders, is something we value and endeavor to protect. To further that goal, we have adopted the Code and implemented policies and procedures to prevent fraudulent, deceptive and manipulative practices and to ensure compliance with the federal securities laws and the fiduciary duties owed to our clients.

We are fiduciaries and as such, we have affirmative duties of care, honesty, loyalty and good faith to act in the best interests of our clients. Our clients' interests are paramount and come before our personal interests. Our access persons and supervised persons, as those terms are defined in the Code, are also expected to behave as fiduciaries with respect to our clients. This means that each must render disinterested advice, protect client assets (including non-public information about a client or a client's

account) and act always in the best interest of our clients. We must also strive to identify and avoid conflicts of interest, however such conflicts may arise.

Access persons and supervised persons of Laffer Investments **must not**:

- employ any device, scheme or artifice to defraud a client;
- make to a client any untrue statement of a material fact or omit to state to a client a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;
- engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon a client;
- engage in any manipulative practice with respect to a client;
- use their positions, or any investment opportunities presented by virtue of their positions, to personal advantage or to the detriment of a client; or
- conduct personal trading activities in contravention of the Code or applicable legal principles or in such a manner as may be inconsistent with the duties owed to clients as a fiduciary.

To assure compliance with these restrictions and the “**Federal Securities Laws**,” as defined in the Code, we have adopted, and agreed to be governed by, the provisions of the Code in addition to other applicable compliance policies and procedures. However, access persons and supervised persons are expected to comply not merely with the “letter of the law”, but with the spirit of the laws, the Code and applicable compliance manuals.

A basic tenet of the Code is that the interests of clients are always placed first. The Code includes standards of business conduct requiring covered persons to comply with the Federal Securities Laws and the fiduciary duties an investment adviser owes to its clients. The Code restricts the purchase and sale by access persons for their own account of any “covered security” within five (5) business days of the execution of any such security for clients (“blackout period”). All access persons are required to notify the Firm’s Chief Compliance Officer (“**CCO**”) or the CCO’s designee in order to pre-clear personal securities transactions in certain covered securities, including initial public offerings (“**IPOs**”) and limited offerings.

Under the Code, all access persons must provide the CCO with an initial holdings report that includes: (1) the title and type of security, and (as applicable) exchange ticker symbol or CUSIP number, number of shares and principal amount of each reportable security in which the access person has any direct or indirect beneficial ownership; (2) the name of any broker, dealer or bank with which the access person maintains an account in which any securities are held for the access person’s direct or indirect benefit; and (3) the date the report is submitted. Initial holdings reports are required to be submitted no less than 10 days after an individual becomes an access person and must be current as of a date no more than 45 days prior to the date the individual became an access person. Annual holdings reports must (i) be submitted by all access persons once every 12 months on a date selected by the Firm and (ii) be current as of a date no more than 45 days prior to submission.

In addition, all access persons must provide or have provided to the CCO quarterly reports of their personal transactions within 30 days of the end of each calendar quarter. Quarterly transaction reports, covering all transactions of access persons in reportable securities during the prior quarter, must be submitted no later than 30 days after the end of each calendar quarter. Quarterly transaction reports must contain the following information about each transaction in any reportable security in which the access person had, or by reason of the transaction acquired, any direct or indirect beneficial ownership: (1) the date of the transaction, the title and (as applicable) the exchange ticker symbol or CUSIP number,

interest rate and maturity date, number of shares, and principal amount of each reportable security involved; (2) the nature of the transaction; (3) the price of the security at which the transaction was effected; (4) the name of the broker, dealer or bank with or through which the transaction was effected; and (5) the date of the report.

Reports are not required: (1) with respect to securities held in accounts over which the access person had no direct influence or control; (2) with respect to transactions effected pursuant to an automatic investment plan; or (3) which would duplicate information contained in broker trade confirmations or account statements provided the adviser receives such confirmations or statements within 30 days after the end of the applicable calendar quarter and holds them in its books and records.

Access persons normally comply with the quarterly transaction report by ensuring that monthly brokerage statements for all their accounts in which they have a beneficial interest are submitted to the CCO. The Code also subjects access persons to ethical restrictions relating to clients and their accounts, including restrictions on giving gifts to, and receiving gifts from, clients or other specified parties, in violation of the Laffer Investments' gift policies.

You may obtain a copy of the Code upon request. Our contact information appears on the cover page of this Brochure.

Item 12 BROKERAGE PRACTICES

With respect to clients that have retained Laffer Investments on a discretionary basis, Laffer Investments is authorized to make the following determinations in accordance with clients' specified investment objectives without client consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker or dealer through whom securities are bought or sold.
- The commission rates at which securities transactions for client accounts are effected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

However, clients may limit Laffer Investments' discretionary authority in any or all of the situations described above. As discussed above, Laffer Investments may provide non-discretionary investment advice and may accept advisory accounts with limited discretion or where investments or brokerage arrangements are client-directed pursuant to an agreement between Laffer Investments and the client or pursuant to the contractual terms of the relevant wrap fee program. Laffer Investments requires that any client-imposed limitations or directions be in writing.

Investment and Brokerage Decisions and Review

Investment and brokerage decisions for client accounts, to the extent such discretion has been granted to Laffer Investments, are made by Laffer Investments' portfolio managers and traders, with assistance from other relevant personnel. In placing brokerage transactions for discretionary client accounts, Laffer Investments seeks to (1) determine each client's trading requirements, (2) select appropriate trading methods, venues and agents to execute the trades under the circumstances, (3) evaluate market liquidity of each security and take appropriate steps to mitigate excessive market impact, to the extent

practicable, (4) maintain client confidentiality and proprietary information inherent in the decision to trade, and (5) review the results of executions on a periodic basis.

At least quarterly, appropriate members of Laffer Investments' staff meet to review Laffer Investments' trading practices, including the quality of executions received and commission rates paid by discretionary accounts, in order to determine what changes, if any, should be made in its brokerage arrangements. Laffer Investments' goal in this process is to exercise reasonable, good faith judgment to select broker-dealers or other trading venues that are expected to provide quality execution of transactions at a reasonable cost. The following summarizes Laffer Investments' policies with respect to its exercise of brokerage discretion for client accounts that are discretionary accounts.

Selection Criteria for Brokers and Dealers

Laffer Investments places orders for the purchase or sale of securities with the primary objective of obtaining prompt execution of orders at the most favorable price and execution readily obtainable from responsible broker-dealers at competitive commission rates. Laffer Investments insists on a high standard of quality regarding execution services and deals only with brokers that can meet that standard. Laffer Investments may also place value on brokers and dealers who are able to provide useful brokerage and, as appropriate, research assistance.

Laffer Investments' objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts' portfolio transactions. The best net results, giving effect to brokerage commissions (which may not be the lowest available but ordinarily will not be higher than the generally prevailing competitive rate), spreads and other costs, is normally an important factor in this decision. However, a number of other judgmental factors are considered relevant. In applying these factors, Laffer Investments recognizes that different broker-dealers may have different execution capabilities with respect to different types of securities and transactions. The factors include, but are not limited to:

- Laffer Investments' knowledge of negotiated commission rates and spreads currently available;
- the nature of the security being traded;
- the size and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the desired timing of the trade and speed of execution;
- the activity existing and expected in the market for the particular security;
- the broker-dealer's access to primary markets and quotation sources
- the ability to effect the transactions at all where a large block is involved or where liquidity is limited;
- confidentiality;
- the execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer selected and others which are considered;
- Laffer Investments' knowledge of actual or apparent operational problems of any broker-dealer;
- the broker-dealer's execution services rendered on a continuing basis and in other transactions;
- the broker-dealer's reliability in executing trades, keeping records and accounting for and correcting trade errors;
- the broker-dealer's ability to accommodate Laffer Investments' needs with respect to one or more trades including willingness and ability to maintain quality execution in unusual or volatile market conditions and, if necessary, to commit capital by taking positions in order to complete trades;

- the availability of the broker to stand ready to execute possible difficult transactions in the future;
- the quality of communication links between Laffer Investments and the broker-dealer;
- the quality of the “research services” provided by the broker-dealer;
- and the reasonableness of spreads or commissions.

When buying or selling securities in dealer markets, Laffer Investments may, subject to best execution, deal directly with market makers either on a commission basis or on a “net” basis, without paying the market maker any commission, commission equivalent or markup/markdown other than the “spread.” Net trades mean that the market maker profits from the “spread,” that is, the difference between the price paid (or received) by Laffer Investments and the price received (or paid) by the market maker in trades with other broker-dealers or other customers. Most NASDAQ securities are now traded on a commission basis as more and more market makers shift from principal to agency trading.

Additionally, Laffer Investments may cause its clients to engage in “step out” transactions in which the client pays commissions in respect of a transaction to one broker, but the transaction is executed by a second broker. Laffer Investments will only cause its clients to engage in such transactions to the extent that doing so is consistent with Laffer Investments’ duty to seek to obtain best execution.

“Soft Dollar” or Research/Execution Policy

LAFFER INVESTMENTS DID NOT RECEIVE ANY SOFT DOLLAR SERVICES DURING THE PERIOD COVERED UNDER THIS FILING. ADDITIONALLY, LAFFER INVESTMENTS DID NOT HAVE ANY SOFT DOLLAR ARRANGEMENTS IN PLACE AT THE TIME OF THIS FILING.

In allocating brokerage, and consistent with Laffer Investments’ policies and procedures, Laffer Investments takes into account the value of brokerage and research services provided by a broker-dealer, as long as such consideration does not jeopardize the objective of seeking to obtain best price and execution for client transactions. Broker-dealers typically provide a bundle of services including research and execution of transactions. When appropriate under its discretionary authority and consistent with the duty to seek best execution, Laffer Investments may direct brokerage transactions for client accounts to broker-dealers who provide Laffer Investments with useful research and brokerage products and services.

Research services provided by a broker-dealer can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party but provided by broker-dealer). The brokerage commissions used to acquire research in these arrangements are known as “soft dollars.” Laffer Investments may use soft dollars to acquire either type of research. However, Laffer Investments will not enter into any agreement or understanding with a broker-dealer that would obligate Laffer Investments to direct a specific amount of brokerage transactions or commissions in return for such research (or brokerage) services. Nonetheless, certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. Research or brokerage services that may be acquired by Laffer Investments with soft dollars include, without limitation and to the extent permitted by applicable law: (1) research reports on companies, industries and securities, (2) economic and financial data, (3) financial publications, (4) broker sponsored industry conferences, (5) quantitative analytical software, and (6) market data related software and services.

Section 28(e) of the Securities Exchange Act of 1934 (“**1934 Act**”) provides a “safe harbor” that allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. Under Section 28(e) and related SEC and SEC staff interpretations of Section 28(e), client commissions may be used for certain research and brokerage-related products and services that assist Laffer Investments in meeting its clients’ investment objectives or in managing the clients’ accounts. The receipt of these services by Laffer Investments, in exchange for soft dollars, benefits the Firm by allowing Laffer Investments, at no cost to it, to (1) supplement its own research and analysis activities, (2) receive the views and information of individuals and research staffs of other securities firms, and (3) gain access to persons having special expertise on certain companies, industries, areas of economy and market factors. Accordingly, Laffer Investments has an incentive to select or recommend broker-dealers that provide the Firm with research and brokerage-related products or services. Laffer Investments may allocate brokerage commissions for brokerage and research services that are also available for cash, where appropriate and permitted by law. Laffer Investments also may pay cash for certain services from external sources.

Laffer Investments’ policies with respect to the use of soft dollars are consistent with the safe harbor provided by Section 28(e). As such, in determining whether to pay up for a particular execution, Laffer Investments evaluates whether the research or brokerage-related product or service provided by the broker:

- (1) consists of advice, analyses or reports containing substantive content with respect to appropriate subject matter(s) or (2) is sufficiently related to the effectuation, clearance or settlement of a transaction and is provided and/or used during the time period commencing when Laffer Investments communicates with the relevant broker-dealer for the purpose of transmitting an order for execution and concluding when the funds or securities are delivered or credited to the advised account or accountholder’s agent;
- provides lawful and appropriate assistance to Laffer Investments in carrying out its relevant responsibilities to its various client accounts; and
- is acquired for commissions that are reasonable in relation to the value of the product or service received, viewed either in terms of a particular transaction or the Firm’s overall duty to its discretionary accounts..

These determinations are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. Such opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. Laffer Investments may select broker-dealers based on its assessment of each broker-dealer’s ability to provide quality executions and its belief that the research, information and other services provided by such broker-dealer may benefit client accounts. It is not possible to place a dollar value on the quality executions or on the brokerage and/or research services Laffer Investments receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by Laffer Investments may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if Laffer Investments determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or Laffer Investments’ overall duty to its discretionary accounts.

Research obtained with soft dollars will not always be utilized by Laffer Investments for the specific account that generated the soft dollars. It should be noted that the value of research and brokerage

services cannot be measured precisely and commissions paid for such services certainly cannot always be allocated to clients in direct proportion to the value of the services to each client. Because Laffer Investments routinely batches client transactions, brokerage commissions attributable to one or more client accounts may be allocated to brokers that provide statistical data and other research used by Laffer Investments in managing the accounts of other clients, and vice versa. It is often inevitable (at least in the short run) that commissions paid by one account may, in effect, subsidize services that benefited another account. However, Laffer Investments believes that any distortions will balance out over time since the various research and brokerage services should enable Laffer Investments to make better investment decisions and execute more effective trades for all of its discretionary client accounts. Therefore, Laffer Investments does not usually attempt to allocate the relative costs or benefits of research among its client accounts because it believes that, in the aggregate, the research it receives benefits clients and assists Laffer Investments in fulfilling its overall duty to its clients.

Laffer Investments may use soft dollars to pay for any specific service or for any portion of its “mixed use” items (i.e., products or services that provide benefits that are both covered under the Section 28(e) “safe harbor” and benefits that are not within the safe harbor). In such instances, and where a cash value is affixed to the service or item, Laffer Investments may use available soft dollar credits and pay cash to make up any difference. Further, if the product or service obtained by Laffer Investments is a mixed use item, Laffer Investments may use soft dollars for the research portion and pay cash for the non-research portion. Although the allocation between soft dollars and cash is not always capable of precise calculation, Laffer Investments will make a good faith effort to allocate such items reasonably. Records of any such allocations and payments are prepared and maintained by the Firm.

Brokerage for Client Referrals

Laffer Investments does not enter into agreements with, or make commitments to, any broker-dealer that would bind Laffer Investments to compensate that broker-dealer, directly or indirectly, for client referrals through placement of brokerage transactions. However, except for ERISA accounts and Mutual Funds, when one or more broker-dealers is believed capable of providing equivalent quality of execution with respect to a particular portfolio transaction, Laffer Investments may select a broker-dealer in recognition of the broker-dealer’s past referral of the client for whom the transaction is being executed, or of other clients, or in anticipation of possible future referrals from the broker-dealer. Laffer Investments may have an incentive to select a broker-dealer that has referred, or may in the future refer, a client to Laffer Investments. In selecting such a broker-dealer, unless otherwise specifically disclosed to the client or in accordance with the safe harbor provided by Section 28(e), Laffer Investments’ does not pay higher commissions, concessions or mark-ups/downs than would otherwise be obtainable from broker-dealers that do not provide client referrals to Laffer Investments. Of course, clients may limit Laffer Investments’ discretion by directing Laffer Investments to trade through a particular broker-dealer, including one that may have referred clients to Laffer Investments. Additionally, Laffer Investments may exercise its discretion to execute transactions with broker-dealers that also refer clients, when the use of such broker-dealer is consistent with (i) Laffer Investments’ duty to seek to obtain best execution and (ii) procedures reasonably designed to ensure that client referrals are not a factor in the decision to execute a trade, or a particular amount of trades, through such broker-dealer.

In some cases, a broker may be recommended to an individual account to provide custodial or other services for the client. In those cases, transactions may be effected for the account through the

custodial broker while maintaining the primary objective noted above of obtaining the best price and execution at competitive commission rates.

Commission Rates or Equivalents Policy

Laffer Investments endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. As noted above, Laffer Investments periodically reviews the quality of executions received from eligible broker-dealers and may consider the services of other broker-dealers that may be available to execute client transactions when evaluating Laffer Investments' best execution efforts. Any broker-dealer that has provided (or who may be reasonably expected to provide) acceptable performance and whose financial condition and commission rates are acceptable to Laffer Investments may be selected to execute transactions for client accounts. Laffer Investments maintains a list of approved broker-dealers selected and conducts quarterly reviews to determine whether to add or delete any such broker-dealers. However, broker-dealers that are not currently on the approved list may be used if Laffer Investments believes that using such a broker-dealer may result in best execution for the particular trade.

Laffer Investments sets ranges for commission rates and attempts to negotiate with the approved broker-dealers when possible. However, Laffer Investments will not select broker-dealers solely on the basis of "posted" commission rates nor seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although Laffer Investments generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

Laffer Investments uses a number of different brokers and may pay higher commission rates to those brokers whose execution abilities, brokerage or research services or other legitimate and appropriate services are particularly helpful in seeking good investment results for client accounts. As part of this determination, Laffer Investments recognizes that some brokerage firms are better at executing some types of orders than others. Thus, it may be in the best interests of Laffer Investments' clients to utilize a broker whose commission rates are not the lowest, but whose executions may result in lower overall transaction costs. The overriding consideration in allocating client orders for execution is the maximization of client profits through a combination of controlling transaction and securities costs and seeking the most effective uses of the brokers' relevant capabilities.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help Laffer Investments in providing investment management services to clients. Laffer Investments may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission might be charged by a broker who offers no research services and minimal securities transaction assistance. In this connection, Laffer Investments makes a good faith determination that the amount of commission is reasonable in relation to the value of the research and/or brokerage services provided, viewed in terms of either the specific transaction or Laffer Investments' overall responsibility to its clients. However, the extent to which commission rates or net prices reflect the value of these services often cannot be readily determined.

Bunched Transaction Policy

Because the size and mandate of client accounts often differ, the securities held in such accounts may not be identical. In appropriate circumstances, any account managed by Laffer Investments may purchase or sell a security prior to other portfolios managed by Laffer Investments. This could occur, for example, as a result of the specific investment objectives of the client, different cash resources arising from contributions or withdrawals, or the purchase of a small position to assess the overall investment desirability of a security. However, accounts that are managed in similar styles often have similar or identical portfolio compositions and weightings. For this reason, Laffer Investments may seek to acquire or dispose of the same securities for multiple accounts contemporaneously and may aggregate into a single trade order several individual contemporaneous client trade orders for a single security.

Consistent with each participating client's investment advisory agreement, Laffer Investments may, but is not required to, "bunch" or batch together purchases or sales for several clients (including separately managed accounts, Mutual Funds, Private Funds and, where permissible and appropriate, wrap fee accounts) and allocate the trades, in a fair and equitable manner, across participating client accounts to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution or reducing overall commission charges.

Laffer Investments seeks to aggregate trade orders in a manner that is consistent with its duty to: (1) seek to obtain best execution of client orders; (2) treat all clients fairly; and (3) not systematically advantage or disadvantage any single client or group of clients. When a decision is made to aggregate transactions on behalf of more than one account, such transactions will be allocated to all participating accounts in a fair and equitable manner. When a bunched order 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 bunched order based upon the initial amount requested for the account (subject to certain size or cost-related exceptions), and each participating account will pay or receive the average share price for the bunched order on the same business day and will pay associated transaction costs based on that account's participation in the bunched traded. When a bunched order is partially filled, Laffer Investments will allocate the order in accordance with written aggregation and allocation procedures, described generally below.

Pro rata allocation is generally used when a bunched order, which usually involves only non-directed accounts and liquid, actively traded securities, 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 "round lots". Unexecuted orders will continue until the block order is completed or until all component orders have been cancelled. New orders for the same security will be aggregated with any remaining unexecuted orders and will continue in the same manner. For equity trades, Laffer Investments will generally apply a minimum order allocation amount of 100 shares. For fixed income trades, Laffer Investments will generally apply a minimum order allocation amount of 10 bonds. These minimums may be adjusted based on market convention associated with the particular security. If remaining positions are too small to satisfy the minimum order amount, Laffer Investments may decide to allocate the remaining shares to those accounts seeking large positions that remain unfilled. Laffer Investments may also decide to allocate remaining shares or units to those accounts whose orders would be completed as a result of the allocation.

Laffer Investments may allocate on a basis other than pro rata, if, under the circumstances, Laffer Investments believes that such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to other accounts, and results in fair access over time to investment and trading opportunities for all eligible managed accounts. For example, Laffer Investments may identify investment opportunities that are appropriate for certain accounts but not others (or with respect to which a relatively higher weighting is appropriate for one account or group of accounts over others) based on such factors as: (1) investment objectives and style; (2) risk/return parameters; (3) legal, regulatory and client requirements or restrictions; (4) tax status; (5) account size; (6) sensitivity to turnover; and (7) available cash and cash flows. Consequently, Laffer Investments may determine it is appropriate to place a given security in one account rather than another, or allocate a security more heavily to particular accounts over others. Other non-pro rata methods include rotational allocation and random allocation. Alternative methods of allocation are particularly appropriate, for example, when the transaction size is too limited to be effectively allocated pro rata among eligible accounts.

Laffer Investments may also consider the following when allocating trades: (1) 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 so long as it doesn't result in an unfair advantage to specific clients or types of clients over time; (2) clients with specialized investment objectives or restrictions emphasizing investment in a specific category of securities may be given priority over other accounts in allocating such securities; (3) the proportion that the size of the client's order bears to the total amount desired by all clients; (4) the size of each account's original order; (5) the desire to achieve "round lots"; (6) the client's asset size; (7) the client's current holdings of the security; and (8) for bond trades, street convention and good delivery may dictate the minimum size and par amounts.

Laffer Investments generally will not aggregate trades for wrap fee clients or other clients that have limited Laffer Investments' brokerage discretion with those for other client accounts that it manages to the extent that (1) those clients have directed their brokerage to a particular broker-dealer or (2) such clients pay comprehensive fees that already include the costs of executing transactions through the Sponsor. Orders for wrap fee and directed brokerage clients would generally be aggregated only with other orders relating to the same wrap fee program or Sponsor Designated Broker and would be allocated in the manner described above. The same process described above would be implemented for these accounts if the chosen means of allocation would result in a partial fill for the last account selected.

Notwithstanding the foregoing, Laffer Investments will attempt, when the circumstances permit, to include transactions of clients who participate in a wrap fee program or have otherwise directed the use of a particular broker-dealer in a bunched order. In such transactions, the executing broker-dealer must agree to transfer that portion of a bunched order relating to a client that has directed the use of a particular broker-dealer to the broker-dealer specified by the client. If the executing broker-dealer does not agree to make the transfer, the order for the same security will be affected through the specified broker-dealer and the cost of the transaction may be greater. Such transactions are generally placed after the related bunched order.

Laffer Investments may include proprietary accounts (including, as may be relevant, certain Private Funds in which Laffer Investments or its affiliates have a significant ownership interest) in such aggregate trades subject to its duty of seeking best execution and to the Code.

Cross-Trades

Laffer Investments may cause an account to purchase or sell securities from or to, as the case may be, another account in a “cross-trade.” Laffer Investments has adopted and is subject to procedures designed to comply with applicable law with respect to cross-trades including, with respect to cross-trades involving a Mutual Fund sub-advised by Laffer Investments pursuant to Rule 17a-7 under the 1940 Act. These procedures are designed to ensure that all participating accounts are treated fairly and that an appropriate price is assigned to the crossed security. In certain circumstances, cross-trades may reduce execution related costs for participating accounts. Under applicable law, ERISA accounts are limited in their ability to engage in cross-trades.

Allocation of “New Issues”

To the extent that Laffer Investments may invest client accounts in “**new issues**”, as defined in relevant rules established by the Financial Industry Regulatory Authority (“**FINRA**”), such investments will be allocated fairly and consistently with FINRA Rule 5130, which provides that broker-dealers, their affiliates and certain other persons (“**restricted persons**”) may be restricted in their ability to participate in “new issues.” Only accounts that are eligible under FINRA Rule 5130 to participate in profits and losses attributable to “new issues” (“**eligible accounts**”) will be permitted to receive allocations of “new issues”. Laffer Investments will make allocations of “new issues” generally on a pro rata basis among eligible accounts. However, Laffer Investments may consider, when allocating new issues, any relevant tax implications for the client account and whether and to what extent the client’s custodian is capable of executing same day trades in “new issues”.

Laffer Investments’ Code requires that any investment in an IPO by access persons be pre-cleared by the CCO, or Chairman if the CCO is the one seeking the investment.

Client-Directed Brokerage Transactions

While Laffer Investments generally selects broker-dealers for discretionary client accounts, Laffer Investments will accept, in limited instances, direction from clients as to which broker-dealer(s) should or must be used. In particular, clients may direct Laffer Investments to use particular broker-dealers to execute portfolio transactions for their accounts. If the client directs the use of a particular broker-dealer, Laffer Investments asks that the client specify in writing (1) general types of securities for which the designated brokerage firm should be used and (2) whether the designated brokerage firm should be used for all transactions. Clients that, in whole or in part, direct Laffer Investments to use a particular broker-dealer to execute account transactions should be aware that, in so doing, they may adversely affect Laffer Investments’ ability to, among other things, (i) negotiate commission rates or spreads, (ii) obtain volume discounts on bunched orders or (iii) to obtain best price and execution by, for example, executing over-the-counter stock transactions with the market makers for such securities.

In addition, as noted above, transactions for a client that directs brokerage generally will not be combined or “bunched” for execution purposes with orders for the same securities for other client accounts. In these instances, a client that has directed Laffer Investments to use a particular broker or dealer to execute its trades will generally have its trades placed at the end of batched trading activity for a particular security. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the batched order. Under these circumstances, the direction by a client of a particular

broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if Laffer Investments could negotiate commission rates or spreads freely, or select brokers or dealers based on best execution.

Further, Laffer Investments may receive directions from certain clients to make a “best effort” attempt to transact business with a client-designated brokerage in consideration for services received solely by that client from the broker. In such instances, only the client’s own soft dollars are used. Unless contrary instructions are provided in writing by the client, the Firm’s primary consideration is given to seeking best execution of such client-directed transactions.

Clients understand that, by directing brokerage, they are limiting or removing Laffer Investments’ discretion to select broker-dealers to execute their account transactions. Consequently, best price and execution may not be achieved by clients who have directed brokerage.

Wrap Fee Clients

As indicated above, Laffer Investments may participate in wrap fee programs in which the Sponsor would generally: (1) recommend Laffer Investments; (2) pay Laffer Investments management fees on behalf of the wrap fee client; (3) execute the wrap fee client’s portfolio transactions, generally without commission charges; (4) monitors Laffer Investments’ performance; and (5) in most cases, act as custodian, or provide some combination of these or other services, all for a single fee paid by wrap fee client to the Sponsor. Many wrap fee programs require that brokerage transactions ordinarily will be effected through the Sponsor or it’s the Sponsor Designated Broker.

In evaluating a wrap fee arrangement, a client should recognize that commissions for transactions executed by the Sponsor Designated Broker on behalf of the client’s account are not negotiated by Laffer Investments and Laffer Investments may not be free to seek best available price and most favorable execution. Even under those wrap fee arrangements in which Laffer Investments retains some discretion to select other brokers or dealers to execute client transactions if Laffer Investments believes that “best execution” may be obtained elsewhere, since the client has already paid an asset based charge that includes commissions on transactions executed through the Sponsor Designated Broker (and since transactions executed away from the Sponsor Designated Broker would generally result in the client paying a commission, concession, or a dealer mark-up or mark-down or other fees associated with the execution and/or settlement of that transaction in addition to the wrap fee paid to the Sponsor), Laffer Investments expects that best execution would generally be through the Sponsor Designated Broker.

Clients participating in wrap fee arrangements with separate commission charges may execute a written directed brokerage instruction in favor of the Sponsor Designated Broker. In such circumstances, clients will be subject to the same consequences as any other directed brokerage client, as described above under the heading “Client-Directed Brokerage Transactions”.

As with client-directed brokerage transactions, Laffer Investments is often unable to freely select broker-dealers for wrap account transactions. As a result, Laffer Investments may be unable to bunch orders for wrap fee clients with orders for those clients who have granted brokerage discretion to Laffer Investments, which may result in wrap fee clients receiving a price that is less favorable than the price obtained for discretionary brokerage clients. These limits on Laffer Investments’ authority may also result in higher commissions, greater spreads, or less favorable net prices than might be the case if

Laffer Investments could negotiate commission rates or spreads freely and may result in wrap fee clients receiving a price that is less favorable than the price obtained for non-wrap fee clients.

Wrap fee clients should also be aware that the overall costs of obtaining these services through a wrap fee arrangement may exceed those which might be available if the client were to obtain those services separately. Accordingly, wrap fee clients should satisfy themselves that the wrap fee program is a suitable investment, given the client's particular financial needs and circumstances.

Recommendation of Brokers or Custodians

Occasionally, Laffer Investments may recommend to a client that a specific broker or brokers be used, either for the account managed by Laffer Investments, including custodial services with respect to an account, or for other brokerage services unrelated to the account under management. In these cases, the personal needs of the individual client and the characteristics of the brokerage account are considered along with the criteria discussed above such as cost, execution capability, research and other services provided by the broker-dealer. Laffer Investments does not maintain agreements with any broker to receive "credit" for referrals or for the commissions generated by referred accounts.

Item 13 REVIEW OF ACCOUNTS

Laffer Investments periodically reviews client accounts and provides reports to clients regarding their accounts. The nature and frequency of these reviews, as well as the frequency and content of these reports, is discussed in more detail below.

Nature and Frequency of Client Account Review

Trading activity and performance of accounts are monitored daily. Ex-post and ex-ante measures of risk are reviewed on a monthly or quarterly basis for all client accounts. All client holdings are reviewed at least monthly for suitability based upon client objectives and Laffer Investments' investment strategies. Mr. Arthur B. Laffer, Jr., portfolio manager, reviews global, inflation and some us equity accounts. Convertible accounts are reviewed by Stan Rogers, the lead portfolio manager. Fixed Income ETF reviews are conducted by Mike Madzin. Dividend growth accounts are reviewed by Steve Shepich. At the composite level, all holdings are monitored daily for inclusion in client portfolios. Cash is monitored on a weekly basis unless the firm is notified of a pending contribution or withdrawal. Individual client portfolios are reviewed monthly for suitability and measures of risk.

With respect to accounts receiving non-discretionary advisory services, Laffer Investments reviews the portfolio recommendations provided to non-discretionary advisory accounts on a quarterly basis, using the same general criteria as for similar discretionary accounts (as discussed above), provided, however, that Laffer Investments does not consider the investment objectives and restrictions of any particular individual or entity that may receive non-discretionary advisory services from Laffer Investments but, instead, considers only the general objectives and restrictions, as communicated by the program provider.

Frequency and Content of Client Account Reports

As a condition of becoming a client of Laffer Investments, clients are required to employ an independent custodian for the custody of their assets held in their accounts. Discretionary clients are provided, at a

minimum, with quarterly performance, holdings and activity reports. If requested, such clients will be provided with reports more frequently, which reports may be customized based upon their individual requirements. On a quarterly basis, clients will also receive additional account information regarding their portfolios which may include industry breakdowns, asset allocations, etc. In addition, if requested or as required by the Custody Rule, clients will receive copies of any and all custodian statements for their accounts and copies of any and all brokerage confirmations for securities transactions executed on their behalf. Wrap fee Sponsors and/or clients receive reports from Laffer Investments of the type and frequency as is provided in the relevant wrap fee agreement or Wrap Brochure. Wrap fee clients generally also receive periodic reports from the relevant Sponsor.

Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

To the extent that Laffer Investments pays cash referral fees, the referral agreement and the related activities will be in compliance with Rule 206(4)-3 under the Advisers Act. Rule 206(4)-3 specifies certain standards that must be met by an investment adviser prior to the payment of a cash fee directly or indirectly, for a client solicitation or referral. Laffer Investments currently maintains a referral fee arrangement with GEAM.

Pursuant to a written “Solicitation Agreement” between Laffer Investments and GEAM, Laffer Investments pays to GEAM a solicitation fee equal to a set percentage of the annual fees received by Laffer Investments from the referred client during the first year after the initial referral and a lower percentage of such fees during the following two years. GEAM may be considered to be an affiliate of Laffer Investments in that a related person of GEAM maintains an ownership interest in Laffer Investments.

Item 15 CUSTODY

Due to certain arrangements, Laffer Investments may be deemed to have “custody” of client accounts within the meaning of the Custody Rule and may have access to or authority over client funds and securities for purposes other than issuing trading instructions. If Laffer Investments is deemed to have custody over your account, your custodian will send you periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in your account as of the end of the statement period and any transactions in the account during the statement period. You should review these statements carefully. Additionally, you should contact us immediately if you do not receive account statements from your custodian on at least a quarterly basis. As noted in earlier, Laffer Investments may provide you, separately, with reports or account statements providing information about the account. You should compare these carefully to the account statements you receive from your custodian. If you should discover any discrepancy between the account statements, please contact us immediately.

Item 16 INVESTMENT DISCRETION

Laffer Investments customarily accepts discretionary authority of client accounts in order to perform its services. Laffer Investments requires that a client appoints Laffer Investments as its agent and attorney-in-fact with full discretionary power and authority to act upon all investment decisions with respect to a client’s account, as defined in an investment management agreement, as Laffer Investments deems appropriate.

The rights, powers, authorities and duties of Laffer Investments shall be solely and exclusively as provided in an investment management agreement and under applicable law. Laffer Investments shall not be considered to be a party to any other agreement with respect to a client unless Laffer Investments specifically agrees in writing to be a party to such agreement.

For discretionary portfolios managed either directly by Laffer Investments or by Laffer Investments through a wrap fee program, Laffer Investments will typically allow clients a limited amount of restrictions to be imposed upon the management of their portfolios. In all such cases where a client is requesting account restrictions, Laffer Investments first and foremost takes into account the impact that the restrictions could have on the management of the account and the firm's ability to adequately implement its investment process. Each request for restrictions by clients will be evaluated on a case by case basis by the firm for acceptance or rejection by the Firm.

Item 17 VOTING CLIENT SECURITIES

As required by Rule 206(4)-6 under the Adviser Act, Laffer Investments has adopted written proxy voting policies and procedures ("**Proxy Voting Policies and Procedures**") designed and implemented in a way to ensure that Laffer Investments will vote proxies related to client securities in the best interest of the client, unless the client contract specifies that Laffer Investments will not vote. While these Proxy Voting Policies and Procedures contain guidelines for certain issues on which votes may be cast, each proxy vote may ultimately be cast on a case-by-case basis, taking into consideration any contractual obligations Laffer Investments may have to its clients and all relevant facts and circumstances at the time of the vote and considering specific issues, as they arise, on their merits. Laffer Investments may (i) vote in accordance with the recommendation of the portfolio company's management, (ii) vote against management, (iii) engage in dialogue with management with respect to pending proxy issues to seek to change the views of management or (iv) join with other investment managers in seeking to put a shareholder proposal to a company or oppose a proposal submitted by the company.

Proxy voting is overseen by the Firm's Proxy Administrator ("**PA**"). The PA is responsible for receiving and processing proxies held in client accounts, reviewing proxy statements received and categorizing the proxy according to issues and proposing parties. The PA will then direct each proxy statement to Laffer's CCO (who may also be the PA) and will highlight any recommendations may by a third party. To the extent the PA recommends voting contrary to any third party recommendation, the reasons for such recommendations will be documented. The CCO is ultimately responsible for ensuring that votes are cast in accordance with the Proxy Voting Policies and Procedures.

Laffer Investments recognizes its responsibilities for identifying material conflicts of interest in the proxy voting context. Employees of Laffer Investments must disclose to the PA any personal conflicts such as officer or director positions held by them, their spouses or close relatives in the relevant issuer. Conflicts based on business relationships with Laffer Investments or any affiliates of Laffer Investments will only be considered to the extent that Laffer Investments has actual knowledge of such relationships. To the extent that a conflict has been identified, the CCO will determine, in consultation with the PA, how the conflict may be eliminated or resolved. Among the means by which Laffer Investments utilizes to resolve conflicts of interest are: (1) voting in accordance with the Proxy Voting Policies and Procedures, if it involves little or no discretion; (2) voting in accordance with a third party independent service provider, to the extent that Laffer Investments uses such a service; (3) if possible, erecting information barriers around the person or persons making voting decisions sufficient to insulate the

decision from the conflict; (4) if practical, notify affected clients of the conflict and seeking a waiver of the conflict; or (5) if agreed upon in writing with the client, forward the proxies to the affected client and allowing the client to vote its own proxies.

Laffer Investment will not disclose proxy votes for a client to other clients or third parties, unless specifically requested, in writing by the client. However, to the extent that Laffer Investments may serve as a sub-adviser to another adviser to a client, Laffer will be deemed to be authorized to provide proxy voting records on such client accounts to that adviser.

Clients may obtain information about how Laffer Investments voted proxies for their account or a copy of the Proxy Voting Policies and Procedures by contacting Laffer Investments. Our contact information appears on the cover of this Brochure.

Item 18 FINANCIAL INFORMATION

Not Applicable.

Item 19 REQUIREMENTS FOR STATE REGISTERED ADVISERS

Not Applicable

16317113.3.BUSINESS