

Camelot Portfolios, LLC
Investment Adviser
Policies and Procedures
Manual

Camelot Portfolios, LLC
IA Policies and Procedures Manual
3/9/2012 to Current

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Introduction

Policy

Camelot Portfolios, LLC is a registered investment adviser with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 (Advisers Act).

Our firm has a strong reputation based on the professionalism and high standards of the firm and our employees. The firm's reputation and our advisory client relationships are the firm's most important asset.

As a registered adviser, and as a fiduciary to our advisory clients, our firm has a duty of loyalty and to always act in utmost good faith, place our clients' interests first and foremost and to make full and fair disclosure of all material facts and in particular, information as to any potential and/or actual conflicts of interests.

As a SEC registered adviser, Camelot Portfolios, LLC and our employees are also subject to various requirements under the Advisers Act and rules adopted under the Advisers Act and our Code of Ethics. These requirements include various anti-fraud provisions, which make it unlawful for advisers to engage in any activities which may be fraudulent, deceptive or manipulative.

These antifraud provisions include the SEC Compliance Programs of Investment Companies and Investment Advisers (Compliance Programs Rule) (SEC Rule 206 (4)-7) which requires advisers to adopt a formal compliance program designed to prevent, detect and correct any actual or potential violations by the adviser or its supervised persons of the Advisers Act, and other federal securities laws and rules adopted under the Advisers Act.

Elements of Camelot Portfolios, LLC's compliance program include the designation of a Chief Compliance Officer, adoption and annual reviews of these IA Compliance Policies and Procedures, training, and recordkeeping, among other things.

Our IA Policies and Procedures cover Camelot Portfolios, LLC and each officer, member, or partner, as the case may be, and all employees who are subject to Camelot Portfolios, LLC's supervision and control (Supervised Persons).

Our IA Policies and Procedures are designed to meet the requirements of the SEC IA Compliance Programs Rule and to assist the firm and our Supervised Persons in preventing, detecting and correcting violations of law, rules and our policies.

Our IA Policies and Procedures cover many areas of the firm's businesses and compliance requirements. Each section provides the firm's policy on the topic and provides our firm's procedures to ensure that the particular policy is followed.

Camelot Portfolios, LLC's Chief Compliance Officer is responsible for administering our IA Policies and Procedures.

Compliance with the firm's IA Policies and Procedures is a requirement and a high priority for the firm and each person. Failure to abide by our policies may expose you and/or the firm to significant consequences which may include disciplinary action, termination, regulatory sanctions, potential monetary sanctions and/or civil and criminal penalties.

The Chief Compliance Officer will assist with any questions about Camelot Portfolios, LLC's IA Policies and Procedures, or any related matters. Further, in the event any employee becomes aware of, or suspects, any activity that is questionable, or a violation, or possible violation of law, rules or the firm's policies and procedure, the Chief Compliance Officer is to be notified immediately.

Our IA Policies and Procedures will be updated on a periodic basis to be current with our business practices and regulatory requirements.

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Advertising

Policy

Camelot Portfolios, LLC uses various advertising and marketing materials to obtain new advisory clients and to maintain existing client relationships. Camelot Portfolios, LLC's policy requires that any advertising and marketing materials must be truthful and accurate, consistent with applicable rules, and reviewed and approved by a designated officer. Camelot Portfolios, LLC's policy prohibits any advertising or marketing materials that may be misleading, fraudulent, deceptive and/or manipulative. Our policy also prohibits the use of testimonials. Camelot Portfolios, LLC's policies and procedures governing the use of social media for business purposes incorporate these same prohibitions.

Background

An advertisement is generally defined as any written communication, which includes websites and e-mails, directed to more than one person concerning advice or recommendations about the purchase or sale of securities or any other advisory service.

The SEC anti-fraud rules under the Advisers Act prohibit advisers from engaging in advertising practices which are fraudulent, deceptive, or manipulative activities. The manner in which investment advisers portray themselves, services and their investment returns to existing and prospective clients is highly regulated. SEC no-action letters also provide guidelines and prohibitions relating to an adviser's advertising and marketing practices.

Pursuant to the SEC's exam sweep focused on investment advisers' use of social media, the Commission issued a National Examination Risk Alert in January 2012, which identified various factors an adviser should consider in evaluating its policies and procedures governing the use of social media, noting that such practices must comply with various provisions of federal securities laws, including, but not limited to, the antifraud, compliance and recordkeeping provisions.

Responsibility

Stephen Hanley has the responsibility for implementing and monitoring our policy, and for reviewing and approving any advertising and marketing to ensure any materials are consistent with our policy and regulatory requirements. This designated person is also responsible for maintaining, as part of the Camelot Portfolios, LLC's books and records, copies of all advertising and marketing materials with a record of reviews and approvals in accordance with applicable recordkeeping requirements.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- All advertisements and promotional materials must be reviewed and approved prior to use by a designated officer, President, the Compliance Officer, or another officer of the firm (other than the individual who prepared such material).
- The initialing and dating of the advertising and marketing materials will document approval.
- Each employee is responsible for ensuring that only approved materials are used and that approved materials are not modified without the express written approval of the designated officer.
- The designated officer must also review other written communications prepared for existing clients or prospective clients including any quarterly letters.
- Our firm's policies and procedures regarding the use of social media are consistent with our policies governing advertising and marketing, i.e., prohibiting any communications that may be misleading, fraudulent, deceptive and/or manipulative, or could be construed as a testimonial of our firm or our related persons.

- The designated officer, or a designee, is responsible for maintaining copies of any advertising and marketing materials, including any reviews and approvals, for a total period of five years following the last time any material is disseminated.

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Advisory Agreement

Policy

Camelot Portfolios, LLC's policy requires a written investment advisory agreement for each client relationship which includes a description of our services, discretionary/non-discretionary authority, advisory fees, important disclosures and other terms of our client relationship. Camelot Portfolios, LLC's advisory agreements meet all appropriate regulatory requirements and contain a non-assignment clause and do not contain any "hedge clauses."

As part of Camelot Portfolios, LLC's policy, the firm also obtains important relevant and current information concerning the client's identity, occupation, financial circumstances and investment objectives, among many other things, as part of our advisory and fiduciary responsibilities.

Background

Written advisory agreements form the legal and contractual basis for an advisory relationship with each client and as a matter of industry and business best practices provide protections for both the client and an investment adviser. An advisory agreement is the most appropriate place for an adviser to describe its advisory services, fees, liability, and disclosures for any conflicts of interest, among other things. It is also a best business practice to provide a copy of the advisory agreement to the client and for the agreement to provide for all client financial and personal information to be treated on a confidential basis.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of the firm's advisory agreement policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's advisory agreements and advisory fee schedules, and any changes, for the firm's services are approved by management.
- The fee schedules are periodically reviewed by Camelot Portfolios, LLC to be fair, current and competitive.
- A designated officer, or the Compliance Officer, periodically reviews the firm's disclosure brochure, marketing materials, advisory agreements and other material for accuracy and consistency of disclosures regarding advisory services and fees.
- Performance-based fee arrangements, if any, are appropriately disclosed, reviewed and approved by the designated officer and/or management.
- Written client investment objectives or guidelines are obtained, or recommended as part of a client's advisory agreement.
- Client investment objectives or guidelines are monitored on an on-going and also periodic basis for consistency with client investments/portfolios.
- Any solicitation/referral arrangements and solicitor/referral fees must be in writing, reviewed and approved by the designated officer and/or management, meet regulatory requirements and appropriate records maintained.
- Any additional compensation arrangements are to be monitored by the designated officer, or Compliance Officer, approved and disclosed with appropriate records maintained.

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Agency Cross Transactions

Policy

Camelot Portfolios, LLC's policy and practice is to NOT engage in any agency cross transactions and our firm's policy is appropriately disclosed in Form ADV Part 1 and Part 2A responses.

Background

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction (SEC Rule 206(3)-2(b)). Agency cross transactions typically may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Agency cross transactions are permitted for advisers only if certain conditions are met under Advisers Act rules including prior written consent, client disclosures regarding trade information and annual disclosures, among other things.

Responsibility

Stephen Hanley has the overall responsibility for implementing and monitoring our policy of not engaging in any agency cross transactions.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated as appropriate, which include the following:

- Camelot Portfolios, LLC policy of prohibiting any agency cross transactions for advisory clients has been communicated to relevant individuals including portfolio managers, traders and others.
- The policy is appropriately disclosed in the firm's Form ADV.
- Stephen Hanley periodically monitors the firm's advisory services and trading practices to help ensure that no agency cross transactions occur for advisory clients.
- In the event of any change in the firm's policy, any such change must be approved by management, any agency cross transactions would only be allowed after appropriate authorizations, reviews, approvals, disclosures, reporting and meeting appropriate regulatory requirements and maintaining proper records.

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Annual Compliance Reviews

Policy

As a SEC registered adviser, it is Camelot Portfolios, LLC's policy to conduct an annual review of the firm's policies and procedures to determine that they are adequate, current and effective in view of the firm's businesses, practices, advisory services, and current regulatory requirements. Our policy includes amending or updating the firm's policies and procedures to reflect any changes in the firm's activities, personnel, or regulatory developments, among other things, either as part of the firm's annual review, or more frequently, as may be appropriate, and to maintain relevant records of the annual reviews.

Background

In December 2003, the SEC adopted Rule 206(4)-7, *Compliance Programs of Investment Companies and Investment Advisers* (Compliance Program Rule) under the Advisers Act and Investment Company Act, (SEC Release Nos. IA-2204 and IC-26299). The rules were effective and advisers and funds had to be in compliance with the rules by 10/5/2004. The rules require SEC registered advisers and investment companies to adopt and implement written policies and procedures designed to detect and prevent violations of the federal securities laws. The rules are also designed to protect investors by ensuring all funds and advisers have internal programs to enhance compliance with the federal securities laws. Among other things, the rules require that advisers and investment companies annually review their policies and procedures for their adequacy and effectiveness and maintain records of the reviews. A Chief Compliance Officer must also be designated by advisers and investment companies to be responsible for administering the compliance policies, procedures and the annual reviews.

The required reviews are to consider any changes in the adviser's or fund's activities, any compliance matters that have occurred in the past year and any new regulatory requirements or developments, among other things. Appropriate revisions of a firm's or fund's policies or procedures should be made to help ensure that the policies and procedures are adequate and effective. Advisers and funds were to have completed their first annual review within eighteen months of the adoption or approval of their compliance policies and procedures (i.e. no later than April 5, 2006, and annually thereafter).

Responsibility

Stephen Hanley has the overall responsibility and authority to develop and implement the firm's compliance policies and procedures and to conduct an annual review to determine their adequacy and effectiveness in detecting and preventing violations of the firm's policies, procedures or federal securities laws. Stephen Hanley also has the responsibility for maintaining relevant records regarding the policies and procedures and documenting the annual reviews.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- On at least an annual basis, Stephen Hanley, and such other persons as may be designated, will undertake a complete review of all Camelot Portfolios, LLC's written compliance policies and procedures.
- The review will include a review of each policy to determine the following:
 - (a) adequacy;
 - (b) effectiveness;
 - (c) accuracy;
 - (d) appropriateness for the firm's or fund's current activities
 - (e) current regulatory requirements;
 - (f) any prior policy issues, violations or sanctions; and
 - (g) any changes or updates that may otherwise be required or appropriate.
- The annual review process should also consider and assess the risk areas for the firm and review and update any risk assessments in view of any changes in advisory services, client base and/or regulatory

developments.

- Stephen Hanley, or designee(s), will coordinate the review of each policy with an appropriate person, department manager, management person or officer to ensure that each of the firm's policies and procedures is adequate and appropriate for the business activity covered, e.g., a review of trading policies and procedures with the person responsible for the firm's trading activities.
- Stephen Hanley, or designee(s), will revise or update any of the firm's policies and/or procedures as necessary or appropriate and obtain the approval of the person, department manager, management person or officer responsible for a particular activity as part of the review.
- Stephen Hanley will obtain the approval of the firm's compliance policies and procedures from the appropriate senior management person or officer, or chief executive officer.
- For advisers who also advise investment companies, the investment company's board of directors/trustees) must review the adviser's policies and procedures as well as those of service providers. Stephen Hanley will submit a report to the board(s) of the investment company(s) regarding the reviews of the adviser's and service providers' policies and procedures on an annual basis regarding the firm's /funds' annual review(s).
- The firm's annual reviews will include a review of any prior violations or issues under any of the firm's policies or procedures with any revisions or amendments to the policy or procedures designed to address such violations or issues to help avoid similar violations or issues in the future.
- Stephen Hanley will maintain hardcopy or electronic records of the firm's policies and procedures as in effect at any particular time since 10/05/2004, and any policies in effect prior to that date;
- Stephen Hanley will also maintain an Annual Compliance Review file for each year which will include and reflect any revisions, changes, updates, and materials supporting such changes and approvals, of any of the firm's policies and/or procedures.
- Stephen Hanley, or designee(s), will also conduct more frequent reviews of the Camelot Portfolios, LLC's policies or procedures, or any specific policy or procedure, in the event of any change in personnel, business activities, regulatory requirements or developments, or other circumstances requiring a revision or update.
- Relevant records of such additional reviews and changes will also be maintained by Stephen Hanley.

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Anti-Money Laundering

Policy

Camelot Portfolios, LLC has not adopted a formal written policy or procedures to prevent the misuse of the funds it manages, or preventing the use of Camelot Portfolios, LLC's personnel and facilities for the purpose of money laundering or terrorist financing.

Background

On October 26, 2001, the President signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act). Prior to the passage of the USA PATRIOT Act, regulations applying the anti-money laundering provisions of the Bank Secrecy Act (BSA) were issued only for banks and certain other institutions that offer bank-like services or that regularly deal in cash. The USA PATRIOT Act required the extension of the anti-money laundering requirements to financial institutions, such as registered and unregistered investment companies, that had not previously been subjected to BSA regulations.

In April 2003, the Department of the Treasury proposed new rules that would require SEC registered advisers, and certain unregistered advisers, to adopt an anti-money laundering program. These proposed rules were withdrawn in October 2008 by FinCEN of the Department of the Treasury due to the passage of time and to re-assess financial industry developments.

Responsibility

Camelot Portfolios, LLC has designated Stephen Hanley as the designated officer to generally monitor the firm's activities and client relationships for any suspicious client(s) and/or client investment activities that may require inquiry to detect or determine if any possible money laundering activity may exist.

Procedure

While Camelot Portfolios, LLC has not adopted a formal or written AML policy or program, the firm has established general guidelines and procedures in an effort to determine client identities and relationships and monitor client investment activities which include the following:

- As part of the firm's procedures for establishing new client relationships, the firm obtains personal, business, financial, and family/professional information among other information, to know the client and for identifying investment objectives and financial needs for each client.
- The firm's Compliance Officer monitors various regulatory requirements, including existing and proposed rules relating to anti-money laundering requirements and reporting, among other things.
- The firm's portfolio managers/investment professionals manage and monitor client investment activities and are aware to report any suspicious activity to Stephen Hanley.
- The firm will not accept any new or continue any existing client relationship(s), which are deemed unacceptable, for any reason, by senior management.

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Best Execution

Policy

As an investment advisory firm, Camelot Portfolios, LLC has a fiduciary and fundamental duty to seek best execution for client transactions.

Camelot Portfolios, LLC, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

Background

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an adviser must consider the full range and quality of a broker-dealer's services, including execution capability, commission rates, the value of any research, financial responsibility and responsiveness, among other things.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our best execution policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- As part of Camelot Portfolios, LLC's brokerage and best execution practices, Camelot Portfolios, LLC has adopted and implemented written best execution practices and established a Brokerage Committee (or designated an individual or officer).
- The Brokerage Committee (or designated officer) has responsibility for monitoring our firm's trading practices, gathering relevant information, periodically reviewing and evaluating the services provided by broker-dealers, the quality of executions, research, commission rates, and overall brokerage relationships, among other things.
- Camelot Portfolios, LLC may also maintain and periodically update an "Approved Broker-Dealer List" based upon the firm's reviews.
- Camelot Portfolios, LLC also conducts periodic reviews of the firm's brokerage and best execution policies and documents these reviews, and discloses a summary of brokerage and best execution practices in response to Item 12 in Part 2A of Form ADV: *Firm Brochure*.
- A Best Execution file is maintained for the information obtained and used in Camelot Portfolios, LLC's periodic best execution reviews and analysis and to document the firm's best execution practices.

If the firm is a 'Large Trader' pursuant to SEC Rule 13h-1 (the Large Trader Rule), the firm's Best Execution/Trading practices should include the following:

- Providing the firm's LTID (large trader identification number) to all registered broker-dealers effecting transactions on behalf of the firm.

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Books and Records

Policy

As a registered investment adviser, Camelot Portfolios, LLC is required, and as a matter of policy, maintains various books and records on a current and accurate basis which are subject to periodic regulatory examination. Our firm's policy is to maintain firm and client files and records in an appropriate, current, accurate and well-organized manner in various areas of the firm depending on the nature of the records.

Camelot Portfolios, LLC's policy is to maintain required firm and client records and files in an appropriate office of Camelot Portfolios, LLC for the first two years and in a readily accessible facility and location for an additional three years for a total of not less than five years from the end of the applicable fiscal year. Certain records for the firm's performance, advertising and corporate existence are kept for longer periods. (Certain states may require longer record retention.)

Background

Registered investment advisers, as regulated entities, are required to maintain specified books and records. There are generally two groups of books and records to be maintained. The first group is financial records for an adviser as an on-going business such as financial journals, balance sheets, bills, etc. The second general group of records is client related files as a fiduciary to the firm's advisory clients and these include agreements, statements, correspondence and advertising, trade records, among many others.

Responsibility

Stephen Hanley has the overall responsibility for the implementation and monitoring of our books and records policy, practices, disclosures and recordkeeping for the firm.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

Camelot Portfolios, LLC's filing systems for the books, records and files, whether stored in files or electronic media, are designed to meet the firm's policy, business needs and regulatory requirements as follows:

- Arranging for easy location, access and retrieval;
- Having available the means to provide legible true and complete copies;
- For records stored on electronic media, back-up files are made and such records stored separately;
- Reasonably safeguarding all files, including electronic media, from loss, alteration or destruction (see back-up procedures in Disaster Recovery Policy);
- Limiting access by authorized persons to Camelot Portfolios, LLC's records (See additional Privacy procedures related to passwords and safeguarding practices); and;
- Ensuring that any non-electronic records that are electronically reproduced and stored are accurate reproductions.
- Periodic reviews may be conducted by the designated officer, individual or department managers to monitor Camelot Portfolios, LLC's recordkeeping systems, controls, and firm and client files.
- Maintaining client and firm records for five years from the end of the fiscal year during which the last entry was made with longer retention periods for advertising, performance, Code of Ethics and firm corporate/organization documents.

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Complaints

Policy

As a registered adviser, and as a fiduciary to our advisory clients, our firm has adopted this policy, which requires a prompt, thorough and fair review of any advisory client complaint, and a prompt and fair resolution which is documented with appropriate supervisory review.

Background

Based on an adviser's fiduciary duty to its clients and as a good business practice of maintaining strong and long term client relationships, any advisory client complaints of whatever nature and size should be handled in a prompt, thorough and professional manner. Regulatory agencies may also require or request information about the receipt, review and disposition of any written client complaints.

Responsibility

Camelot Portfolios, LLC's designated officer has the primary responsibility for the implementation and monitoring of the firm's complaint policy, practices and recordkeeping for the firm.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated as appropriate, which include the following:

- Camelot Portfolios, LLC maintains a Complaint File for any written complaints received from any advisory clients.
- Any person receiving any written client complaint is to forward the client complaint to Camelot Portfolios, LLC's designated officer.
- If appropriate, the designated officer will promptly send the client a letter acknowledging receipt of the client's complaint letter indicating the matter is under review and a response will be provided promptly.
- The designated officer will forward the client complaint letter to the appropriate person or department, depending on the nature of the complaint, for research, review and information to respond to the client complaint.
- The designated officer will then either review and approve or draft a letter to the client responding to the client's complaint and providing background information and a resolution of the client's complaint. Any appropriate supervisory review or approval will be done and noted.
- The designated officer will maintain records and supporting information for each written client complaint in the firm's complaint file.

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Corporate Records

Policy

As a registered investment adviser and legal entity, Camelot Portfolios, LLC has a duty to maintain accurate and current "Organization Documents." As a matter of policy, Camelot Portfolios, LLC maintains all Organization Documents, and related records at its principal office. All Organization Documents are maintained in a well-organized and current manner and reflect current directors, officers, members or partners, as appropriate. Our Organization Documents will be maintained for the life of the firm in a secure manner and location and for an additional three years after the termination of the firm.

Background

Organization Documents, depending on the legal form of an adviser, may include the following, among others:

- Articles of Incorporation, By-laws, etc (for corporations)
- Agreements and/or Articles of Organization (for limited liability companies)
- Partnership Agreements and/or Articles (for partnerships and limited liability partnerships)
- Charters
- Minute Books
- Stock certificate books/ledgers
- Organization resolutions
- Any changes or amendments of the Organization Documents

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our Organization Documents policy, practices, and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's designated officer will maintain the Organization Documents in Camelot Portfolios, LLC's principal office in a secure location.
- Organization Documents will be maintained on a current and accurate basis and periodically reviewed and updated by the designated officer so as to remain current and accurate with Camelot Portfolios, LLC's regulatory filings and disclosures, among other things.

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Custody

Policy

As a matter of policy and practice, Camelot Portfolios, LLC does not permit employees or the firm to accept or maintain custody of client assets. It is our policy that we will not accept, hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them, with the sole exception of direct debiting of advisory fees. Camelot Portfolios, LLC will not intentionally take custody of client cash or securities.

Background

In a major revamping and updating of the SEC Custody Rule (Rule 206(4)-2), the SEC adopted final rule amendments released December 30, 2009 imposing more rigorous requirements for SEC advisers maintaining custody or deemed to have custody of client assets.

The custody rule under the Investment Advisers Act of 1940 defines custody as "holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them." The custody definition includes three examples to clarify what constitutes custody for advisers as follows:

1. possession of client funds or securities (but not of checks drawn by clients and made payable to third parties) unless you receive them inadvertently and you return them to the sender promptly but in any case within three business days of receiving them;
2. Any arrangement (including a general power of attorney) under which you are authorized or permitted to withdraw client funds or securities maintained with a custodian upon your instruction to the custodian; and
3. Any capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or a trustee of a trust) that gives you or your supervised person legal ownership of or access to client funds or securities

If a related person of the adviser is appointed as trustee as a result of a family or personal relationship with the grantor or beneficiary of the trust, and not as a result of employment with the adviser, the role of the supervised person as trustee will not be imputed to the adviser; thus the adviser will not be deemed to have custody of such client's assets.

The custody rule requires advisers with custody to maintain client funds and securities with "qualified custodians," which include U.S. banks and insured savings institutions; registered broker-dealers; futures commission merchants registered under the U.S. Commodity Exchange Act (but only with respect to clients' funds and security futures, or other securities incidental to futures transactions); and certain foreign custodians. Advisers must also have a reasonable belief after "due inquiry" that the qualified custodians provide at least quarterly account statements directly to the adviser's clients.

If the adviser elects to also send account statements to its advisory clients in addition to those sent by the qualified custodian(s), the adviser must include a legend in its account statements urging clients to compare the account statements they receive from the custodian with those received from the adviser.

Advisers that open an account(s) with a qualified custodian on the client's behalf, either under the client's name or under the adviser's name as agent, must promptly notify the client in writing, detailing the qualified custodian's name, address and the manner in which the client's funds or securities are maintained.

Advisers deemed to have custody of clients' funds or securities are required to obtain a surprise annual examination of client assets by an independent public accountant. Effective January 1, 2011, investment adviser firms will submit Form ADV-E filings electronically via the IARD; while a separate Form ADV-E Surprise Examination Filing Website has been created for public accountants.

The independent accountant must file its certificate on Form ADV-E with the SEC within 120 days of the commencement of the examination. Any material discrepancies found by the accountant must be reported to

the SEC within one day.

Advisers that deduct fees directly from client accounts are deemed to have custody and must comply with the requirements of the custody rule amendments as before. However, advisers that have custody only because they deduct fees may continue to answer "No" to the custody questions in Item 9 of Form ADV Part 1.

Form ADV Part 1 questions and disclosures have been expanded under the new custody rule amendments. Advisers must provide responses to the additional questions in amended Form ADV in their first annual updating amendment or other amendment filing submitted after January 1, 2011.

Advisers are exempt from all provisions of the custody rule with respect to clients that are registered investment companies. These accounts are subject to the requirements of section 17(f) of the Investment Company Act and custody rules adopted thereunder.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our policies, practices, disclosures and recordkeeping to ensure we are not deemed a custodian.

In the event any employee of Camelot Portfolios, LLC receives funds, securities, or other assets from a client, such employee must immediately notify the Compliance Officer and arrange to return such funds, securities or other assets to the client within three business days of receiving them.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy, conducts reviews to monitor and ensure the firm's policy is observed, properly implemented and amended or updated, as appropriate which include the following:

- With the possible exception of certain privately-offered securities, securities and funds of advisory clients are maintained with an unaffiliated qualified custodian or, in the case of accounts holding shares of open-end mutual funds, the fund's transfer agent and held in the client's name or under Camelot Portfolios, LLC as agent or trustee for the clients.
- After due inquiry, Camelot Portfolios, LLC has a reasonable belief that the qualified custodian(s) holding client assets provides at least quarterly account statements directly to those clients or an "independent representative" of their choosing that does not have a "control" relationship within the past two years with Camelot Portfolios, LLC.
- If Camelot Portfolios, LLC receives inadvertently from a client any funds or securities, these assets shall be returned to the client promptly, i.e., within three business days of receipt.
- No employee or supervised person of Camelot Portfolios, LLC shall knowingly accept actual possession of any client funds or securities. Persons receiving a request from a client to deposit assets with a qualified custodian may assist the client to complete necessary forms and/or mailings, but shall not take physical possession of the funds or securities.
- If Camelot Portfolios, LLC provides client statements in addition to the qualified custodian statements, a client disclosure will be included on the firm's client statements urging clients to compare statement information with the qualified custodian's statement for completeness and accuracy.
- To avoid being deemed to have custody, Camelot Portfolios, LLC's procedures prohibit the following practices:
 - any employee, officer, and/or the firm from having signatory power over any client's checking account;
 - any employee, officer, and/or the firm from having the power to unilaterally wire funds from a client's account;
 - any employee, officer, and/or the firm from holding any client's securities or funds in Camelot Portfolios, LLC's name at any financial institution;
 - any employee, officer, and/or the firm from physically holding cash or securities of any client;
 - any employee, officer, and/or the firm from having general power of attorney over a client's account;
 - any employee, officer, and/or the firm from holding client assets through an affiliate of Camelot Portfolios, LLC where the firm, its employees or officers have access to advisory client assets;
 - any employee, officer, and/or the firm from receiving the proceeds from the sale of client securities or interest or dividend payments made on a client's securities or check payable to the firm except for advisory fees;
 - any employee, officer, and/or the firm from directly deducting advisory fees from a client's account; *
 - any employee, officer and/or the firm from acting as a trustee or executor for any advisory client trust or estate
 - any employee, officer and/or the firm from acting as general partner and investment adviser

- to any investment partnership; and
- the firm, or any "related person" acting as a qualified custodian for any advisory client assets.

*Note: Typically advisers do obtain client authority to directly debit advisory fees from clients' accounts. If an adviser does directly debit fees, the adviser will be deemed to have custody even though Form ADV Part 1 Item 9 may still be checked "No." Advisers that do directly debit fees should treat the firm as having custody and tailor the firm's policy and procedures accordingly. Consider the following as recommended procedures:

- As an adviser with authority to directly debit advisory fees for client custodian accounts, Camelot Portfolios, LLC may adopt the following procedures:
 - periodic testing of a sample of client fee calculations to verify accuracy;
 - overall testing of the reasonableness of fees in comparison to aggregate assets under management; and
 - segregating duties among employees responsible for processing and reviewing client billings

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Directed Brokerage

Policy

Camelot Portfolios, LLC's policy and practice is to not accept advisory clients' instructions for directing a client's brokerage transactions to a particular broker-dealer.

Background

Clients may direct advisers to use a particular broker-dealer under various circumstances, including where a client has a pre-existing relationship with the broker or participates in a commission recapture program, among other situations. Advisers may also elect not to exercise brokerage discretion and, therefore, require clients to direct brokerage. Advisers should recommend to clients the use of broker-dealers providing reasonable, competitive and quality brokerage services and advise clients if a client's directed broker does not provide competitive and quality services.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our directed brokerage policy that the firm does not accept client instructions for directing brokerage to a particular broker-dealer.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's policy of prohibiting the acceptance of client instruction for the direction of brokerage has been communicated to relevant individuals including management, traders, and portfolio managers, among others.
- The firm's advisory agreements and Item 12 of Part 2A of Form ADV: Firm Brochure(s) disclose that the firm has discretion as to the selection of broker-dealers and discloses the firm's policy of not accepting client directed brokerage instructions.
- Stephen Hanley periodically monitors the firm's advisory services and trading practices to help ensure no directed brokerage instructions exist or are accepted by the firm.
- In the event of any change in the firm's policy, any such change must be approved by management, and any directed brokerage instructions would only be allowed after appropriate reviews and approvals, received in writing, with appropriate disclosures made, regulatory requirements met and proper records maintained.

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Disaster Recovery

Policy

As part of its fiduciary duty to its clients and as a matter of best business practices, Camelot Portfolios, LLC, has adopted policies and procedures for disaster recovery and for continuing Camelot Portfolios, LLC's business in the event of an emergency or a disaster. These policies are designed to allow Camelot Portfolios, LLC to resume providing service to its clients in as short a period of time as possible. These policies are, to the extent practicable, designed to address those specific types of disasters that Camelot Portfolios, LLC might reasonably face given its business and location.

Background

Since the terrorist activities of 9/11/2001, all advisory firms need to establish written disaster recovery and business continuity plans for the firm's business. This will allow advisers to meet their responsibilities to clients as a fiduciary in managing client assets, among other things. It also allows a firm to meet its regulatory requirements in the event of any kind of an emergency or disaster, such as a bombing, fire, flood, earthquake, power failure or any other event that may disable the firm or prevent access to our office(s).

Responsibility

Stephen Hanley is responsible for maintaining and implementing Camelot Portfolios, LLC's Disaster Recovery and Business Continuity Plan.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- The following individuals have the primary responsibility for implementation and monitoring of our Disaster Recovery Policy:

Camelot Portfolios, LLC is responsible for documenting computer back-up procedures, i.e., frequency, procedure, person(s) responsible, etc.

Camelot Portfolios, LLC is responsible for designating back-up storage locations(s) and persons responsible to maintain back-up data in separate locations.

_____ is responsible for identifying and listing key or mission critical people in the event of an emergency or disaster, obtaining their names, addresses, e-mail, fax, cell phone and other information and distributing this information to all personnel.

_____ is responsible for designating and arranging for "hot," "warm," or home site recovery location(s) for mission critical persons to meet to continue business, and for obtaining or arranging for adequate systems equipment for these locations.

_____ is responsible for establishing back-up telephone/communication system for clients, personnel and others to contact the firm and for the firm to contact clients.

_____ is responsible for determining and assessing back-up systems for key vendors and mission critical service providers.

_____ is responsible for conducting periodic and actual testing and training for mission critical and all personnel.

- Camelot Portfolios, LLC's disaster recovery systems will be tested periodically.
- Camelot Portfolios, LLC's Disaster Recovery Plan will be reviewed periodically, and on at least an annual basis, by the Disaster Recovery Team.

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Disclosure Brochures

Policy

Camelot Portfolios, LLC, as a matter of policy, complies with relevant regulatory requirements and maintains required disclosure brochures on a current and accurate basis. Our firm's Form ADV Part 2 provides information about the firm's advisory services, business practices, professionals, policies and any actual and potential conflicts of interest, among other things.

Background

In July 2010, the SEC unanimously approved and adopted *Amendments to Form ADV* (Release No. IA-3060, File No. S7-10-00, publicly available 07/28/2010), significantly changing the form and content of disclosures that registered investment advisers are generally required to provide to clients and prospective clients. The new Part 2 is comprised of three parts:

- Part 2A, *Firm Brochure*;
- Part 2A Appendix 1, *Wrap Fee Program Brochure* (only required to be filed by investment advisers who sponsor wrap programs; refer to the section below for more detailed information); and
- Part 2B, *Brochure Supplement*.

Under the new rules, an adviser's Form ADV Part 2 will be a narrative disclosure document, written in plain English. Investment advisers are required to respond to each of the required items in a consistent, uniform manner that will facilitate clients' and potential clients' ability to evaluate and compare firms. Each brochure must follow the prescribed format, including a table of contents that lists the eighteen separate items for SEC-registered advisers (nineteen for state-registered advisers), using the headings provided in the new 'form'. All advisers are required to respond to each item, even if it is inapplicable to the adviser's business; however, if required disclosure is provided elsewhere in the brochure, the adviser can direct the reader to that item rather than duplicate disclosure.

As a registered investment adviser, Camelot Portfolios, LLC has a duty to comply with the disclosure brochure delivery requirements of Rule 204-3 under the Advisers Act, or similar state regulations.

Responsibility

Stephen Hanley has the responsibility for maintaining Camelot Portfolios, LLC's required Brochures on a current and accurate basis, making appropriate amendments and filings, ensuring initial delivery of the applicable Brochure(s) to new clients, annual delivery of the Brochures or a Summary of Material Changes, and maintaining all appropriate files.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's disclosure policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

1. Initial Delivery

- A representative of Camelot Portfolios, LLC will provide a copy of the *Firm Brochure* (and/or *Wrap Fee Program Brochure*, if applicable), to each prospective client either prior to or at the time of entering into an advisory agreement with a client.
- Deliver to each client or prospective client a current Brochure Supplement for a supervised person before or at the time that supervised person begins to provide advisory services to the client. (See the Regulatory Reference section for updated information regarding the SEC's extension of the compliance date for delivery of Part 2B of Form ADV, the *Firm Brochure*, to clients of SEC-registered firms.)
- The Compliance Officer will maintain dated copies of all Camelot Portfolios, LLC's Brochure(s) so as to be able to identify which Brochures were in use at any time.

2. Annual Delivery

- Deliver to each client, annually within 120 days of the firm's fiscal year end and without charge, if there

are material changes since the firm's last Annual Updating Amendment ("AUA"), either (i) a current copy of the Firm Brochure (and/or Wrap Fee Program Brochure, if applicable), or (ii) a summary of material changes and an offer to provide clients with a copy of the firm's current Brochure(s) without charge. The summary of material changes will include, as applicable, the following contact information by which a client may request a copy of the Brochure(s):

- the firm's website;
- an email address;
- a phone number; and
- the website address for the IAPD, through which the client may obtain information about the firm.

3. Review and Amendment

- The designated officer will review the firm's required Brochure(s) on a periodic basis to ensure they are maintained on a current and accurate basis, and properly reflect and are consistent with the firm's current services, business practices, fees, investment professionals, affiliations and conflicts of interest, among other things.
- When changes or updates to the Brochure(s) are necessary or appropriate, the designated officer will make any and all amendments timely and promptly, deliver either the revised Brochure(s) or a summary of material changes to clients, and maintain records of the amended filings and subsequent delivery to clients as required.
- If the amendment adds disclosure of an event, or materially revises information already disclosed, in response to Item 9 of Part 2A or Item 3 of Part 2B (Disciplinary Information), respectively, the designated officer will promptly deliver, (i) the amended Firm Brochure and/or Brochure Supplement(s), as applicable, along with a statement describing the material facts relating to the change of disciplinary information, or (ii) a statement describing the material facts relating to the change in disciplinary information.

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E-Mail and Other Electronic Communications

Policy

Camelot Portfolios, LLC's policy provides that e-mail, instant messaging, social networks and other electronic communications are treated as written communications and that such communications must always be of a professional nature. Our policy covers electronic communications for the firm, to or from our clients, any personal e-mail communications within the firm and social networking sites. Personal use of the firm's e-mail and any other electronic systems is strongly discouraged. Also, all firm and client related electronic communications must be on the firm's systems, and use of personal e-mail addresses, personal social networks and other personal electronic communications for firm or client communications is prohibited.

To the extent that an employee utilizes a social networking site for business purposes, all communications are to be fundamentally regarded as advertising (i.e., testimonials are prohibited as are any untrue statements of material fact; information provided must not be false or misleading, etc.) and specific securities recommendations are expressly prohibited.

Background

As a result of recent financial industry issues and several regulatory actions against major firms involving very significant fines, financial industry regulators, e.g., SEC and FINRA are focusing attention on advisers and broker-dealer policies and practices on the use of e-mail, other electronic communications and retention practices.

The Books and Records rule (Rule 204-2(a)(7)) provides that specific written communications must be kept including those relating to a) investment recommendations or advice given or proposed; b) receipt or delivery of funds or securities; and c) placing and execution of orders for the purchase or sale of securities.

All electronic communications are viewed as written communications, and the SEC has publicly indicated its expectation that firms retain all electronic communications for the required record retention periods. If a method of communication lacks a retention method, then it must be prohibited from use by the firm. Further, SEC regulators also will request and expect all electronic communications of supervised persons to be monitored and maintained for the same required periods. E-mails consisting of spam or viruses are not required to be maintained.

NOTE: Advisers should review and update e-mail communications policies and procedures to recognize the regulatory challenges and related issues of social networking sites used by the firm and/or employees for business and personal uses. While these sites offer advantages such as research and marketing, they also present regulatory concerns of confidentiality, security risks, surveillance and recordkeeping.)

In January 2012 the SEC issued a National Examination Risk Alert concerning investment advisers' use of social media noting that a firm's use of such technology(ies) must comply with various provisions of federal securities laws, including, but not limited to, anti-fraud, recordkeeping and compliance provisions.

For state registered advisers, the state's books and records requirements generally follow the SEC rule requirements; therefore, state registered advisers are well advised to follow the SEC's interpretations and guidance regarding an e-mail policy and related practices.

Importantly, if the advisory firm is a manager to a hedge fund or private fund, the firm's policy should expressly prohibit the use of social media sites for business purposes as any such communication related to such fund could violate the prohibition against advertising to the general public. Discussing such an investment vehicle in a blog or on a social networking site may risk ruining the security's private placement.)

Responsibility

Each employee has an initial responsibility to be familiar with and follow the firm's e-mail policy with respect to their individual e-mail communications. Stephen Hanley has the overall responsibility for making sure all employees are familiar with the firm's e-mail policy, implementing and monitoring our e-mail policy, practices and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure that the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Our firm's e-mail policy has been communicated to all persons within the firm and any changes in our policy will be promptly communicated.
- E-mails and any other electronic communications relating to the firm's advisory services and client relationships will be maintained and monitored by Stephen Hanley on an on-going or periodic basis through appropriate software programming or sampling of e-mail, as the firm deems most appropriate based on the size and nature of our firm and our business.
- Electronic communications records will be maintained and arranged for easy access and retrieval so as to provide true and complete copies with appropriate backup and separate storage for the required periods.
- Stephen Hanley may conduct periodic Internet searches to monitor the activities of employees to determine if such persons are engaged in activities not previously disclosed to and/or approved by the firm.
- Electronic communications will be maintained in electronic media, with printed copies if appropriate, for a period of two years on-site at our offices and at an off-site location for an additional three years.

Social Media Practices: Firms that permit use of social media should consider including the following practices that establish usage guidelines and training, content standards and preapproval of content, and monitoring procedures; editing them as necessary to accurately reflect their procedures:

- Usage and Training Guidelines. Our firm may provide training and require the approval and monitoring of employees' use of social networking sites, e.g., Twitter, Linked-In, and others, for firm and client communications on the firm's systems.
- Usage Guidelines, Content Standards and Monitoring. Employees are required to provide the Stephen Hanley with access to such approved social networking accounts. Furthermore, static content posted on social networking sites must be preapproved by %mrgMail%.
- Usage Guidelines and Use of Personal Sites. The firm prohibits employees from creating or maintaining any individual blogs or network pages on behalf of the firm.
- Content Standards. Our firm also prohibits any use on social networking sites of any misleading statements and any information about our firm's clients, investment recommendations or trading activities.
- Approved Participation. Our firm maintains a database containing approved communications that may be used on social networking sites.
- Content Standards. Our firm prohibits communications on social networking sites containing recommendations of specific investment products.
- Certification. Our firm requires employees and advisory solicitors to provide certification (on at least an annual basis) confirming their understanding of and compliance with the firm's social media policies and procedures.

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ERISA

Policy

Camelot Portfolios, LLC may act as an investment manager for advisory clients which are governed by the Employment Retirement Income Security Act (ERISA). As an investment manager and a fiduciary with special responsibilities under ERISA, and as a matter of policy, Camelot Portfolios, LLC is responsible for acting solely in the interests of the plan participants and beneficiaries. Camelot Portfolios, LLC's policy includes managing client assets consistent with the "prudent man rule," exercising proxy voting authority if not retained by a plan fiduciary, maintaining any ERISA bonding that may be required, and obtaining written investment guidelines/policy statements, as appropriate.

Background

ERISA imposes duties on investment advisers that may exceed the scope of an adviser's duties to its other clients. For example, ERISA specifically prohibits certain types of transactions with ERISA plan clients that are permissible (with appropriate disclosure) for other types of clients. Under Department of Labor (DOL) guidelines, when the authority to manage plan assets has been delegated to an investment manager, the manager has the authority and responsibility to vote proxies, unless a named fiduciary has retained or designated another fiduciary with authority to vote proxies. In instances where an investment manager's client agreement is silent on proxy voting authority, the investment manager would still have proxy voting authority. (Plan document provisions supersede any contractual attempt to disclaim proxy authority. In the event, plan documents are silent and an adviser's agreement disclaims proxy voting, the responsibility for proxy voting rests with the plan fiduciary(s). In certain instances, the Internal Revenue Code may impose requirements on non-ERISA retirement accounts that may mirror ERISA requirements.

In March 2006, the DOL issued guidance for employers, including advisers, to file annual reports (LM-10) to disclose financial dealings, including gifts and entertainment, with representatives of a union subject to a \$250 *de minimis*.

Union officers and employees have a comparable reporting obligation (Form LM-30) to report any financial dealings with employers, including the receipt of any gifts or entertainment above the *de minimis* amount.

QPAM Exemption

The DOL adopted an amendment to ERISA prohibited transaction exemption 84-14 (the "QPAM Exemption"), expanding the coverage of the exemption to include in-house pension and other employee benefit plans maintained by investment advisers for their own employees. Under the amended exemption, a QPAM may manage an investment fund containing assets of an employee benefit plan sponsored by the QPAM and rely on the QPAM Exemption to avoid prohibited transactions that might occur in the management of such assets if: (i) the QPAM adopts written policies and procedures that are designed to assure compliance with the conditions of the amended exemption; (ii) the QPAM engages an independent auditor to conduct an annual exemption audit; and (iii) any other applicable requirements already provided in the QPAM Exemption are satisfied.

QDIA Regulation

The DOL adopted the QDIA Regulation (ERISA Section 404(c)(5)) to provide relief to a plan sponsor from certain fiduciary responsibilities for investments made on behalf of participants or beneficiaries who fail to direct the investment of assets in their individual accounts.

For the plan sponsor to obtain safe harbor relief from fiduciary liability for investment outcomes the assets must be invested in a "qualified default investment alternative" (QDIA) as defined in the regulation. While investment products are not specifically identified, the regulation provides for four types of QDIAs:

1. a product with a mix of investments that take into consideration the individual's age or retirement date (e.g., a life-cycle or target date fund);
2. an investment services that allocated contributions among existing plan options to provide an asset mix that takes into consideration the individual's age or retirement date (i.e., a professionally-managed account);

3. a product with a mix of investments that takes into account the characteristics of the group of employees as a whole rather than each individual (a balanced fund, for example); and
4. a capital preservation product for only the first 120 days of participation (an option for plan sponsors wishing to simplify administration if employees opt-out of participation before incurring an additional tax).

A QDIA must either be managed by (i) an investment manager, (ii) plan trustee, (iii) plan sponsor, or (iv) a committee primarily comprised of employees of the plan sponsor that is a named fiduciary, or be an investment company registered under the Investment Company Act of 1940.

ERISA Disclosures - Final Regulation 408(b)(2)

The DOL issued a final rule (effective as of July 15, 2011) extending the compliance date for its interim final rule under ERISA section 408(b)(2) which requires investment advisers and other service providers to provide ERISA plan clients with advance disclosures concerning their services and compensation. Under the final rule, the deadline for these required disclosures (applicable to new and existing contracts and arrangements between plans and their service providers) is extended from January 1, 2012 to April 1, 2012.

Interim Final Regulation 408(b)(2). On July 16, 2010, the DOL issued an "interim final regulation" under ERISA Section 408(b)(2) imposing new disclosure requirements on 'covered service providers' to ERISA plans. The new regulation amends a prohibited transaction rule under ERISA and the Internal Revenue Code. That rule stated that it is a prohibited transaction for a 'covered plan' to enter into an arrangement with a covered service provider unless the arrangement is reasonable and the compensation being received by the service provider is reasonable. The interim final regulation adds disclosure requirements for determining whether a service provider arrangement is reasonable.

Investment Advice – Participants and Beneficiaries

On October 25, 2011, the DOL once more issued a final regulation (the 'replacement final regulation' (the "Final Rule")) implementing the statutory exemption from the prohibited transaction provisions of ERISA for investment advice rendered to plan participants. The Final Rule is effective December 27, 2011, and applies to transactions occurring on or after that date.

Under the Final Rule, a fiduciary adviser is permitted to render investment advice to participants – and receive compensation for such advice – pursuant to an "eligible investment advice arrangement." Such arrangement must provide for either:

- level compensation, meaning that any direct or indirect compensation received by the fiduciary adviser may not vary depending on the participant's selection of a particular investment option, or
- a computer model, which an independent expert must certify as being unbiased.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our ERISA policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy, conducts reviews to monitor and ensure the firm's policy is observed, properly implemented and amended or updated, as appropriate, which include the following:

- On-going awareness and periodic reviews of an ERISA client's investments and portfolio for consistency with the "prudent man rule."
- A designated person or proxy committee for overseeing that any proxy voting functions are properly met and that ERISA plan client proxies are voted in the best interests of the plan participants.
- On-going awareness and periodic review of any client's written investment policy statement/guidelines so as to be current and reflect a client's objectives and guidelines.
- Verification that the plan fiduciaries have established and maintain and renew on a periodic basis any ERISA bonding that may be required; or if plan documents require the investment manager to maintain required ERISA bonding, Camelot Portfolios, LLC will ensure that such bonding is obtained and renewed on a timely basis.
- Monitor for and make any annual DOL filings (Form LM-10) for reporting financial dealings with union representatives.
- If Camelot Portfolios, LLC acts as investment manager, general partner or managing member of any private or hedge funds or pooled investment vehicle, the firm will periodically monitor the percentage of ERISA plan and IRA assets in each fund for ERISA 25% Plan Asset Rule purposes.
- Identify and monitor any party in interest affiliations or relationships existing between the firm and any client ERISA plans to avoid any prohibited transactions.
- Ensure oversight of third party service providers with regard to current disclosure requirements.

If an ERISA fiduciary seeking to obtain safe harbor relief under the QDIA regulation, include the following:

- ensure assets are invested in a QDIA;
- ensure that participants and beneficiaries have been given an opportunity to provide investment direction, but have not done so, and maintain appropriate supporting documentation;
- provide initial and annual notice to participants and beneficiaries in accordance with regulatory requirements;
- materials, such as investment prospectuses, are furnished to participants and beneficiaries;
- ensure participants and beneficiaries have an opportunity to direct investments out of a QDIA as frequently as from other plan investments, but at least quarterly; and
- ensure that the plan offers a "broad range of investment alternatives" as defined under Section 404(c) of ERISA.

If applicable as a QPAM, include the following:

- Monitor transactions effected on behalf of the plan to ensure compliance with the requirements of the exemption with respect to the management of those plan assets.
- Engage an independent auditor to conduct an annual exemption audit.
- In the event that the audit report identifies a deficiency, to promptly address the deficiency.

(AND, if the transaction relies on Part I of the QPAM Exemption, which is applicable to general transactions between the plan or fund managed by the QPAM and parties in interest with respect to such plans, then the written policies and procedures must also include requirements that):

- the party in interest (i) does not have disqualifying power over the QPAM (i.e., the power to terminate the QPAM or to negotiate the terms of the QPAM's management agreement), and (ii) is neither the QPAM itself nor a party related to the QPAM;
- no more than 20 percent of the total client assets managed by the QPAM consist of assets of the in-house plan plus any assets of other plans established or maintained by the QPAM and its affiliates; and
- the transaction is not exempt pursuant to prohibited transaction exemptions 2006-16 (securities lending), 83-1 (acquisitions by plans of interest in mortgage pools) or 82-87 (certain mortgage financing arrangements).

If a fiduciary adviser and providing investment advice to participants for separate compensation, ensure that such advice is provided under one of the following two arrangements:

- as a fiduciary adviser, investment advice will only be provided to participants for separate compensation pursuant to an eligible investment advice arrangement that provides for either:
 - level compensation being earned, i.e., any direct or indirect compensation received will not vary depending upon the participant's selection of a particular investment option, or
 - such advice will be rendered utilizing a computer model which has been certified as being unbiased by an independent expert.

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Insider Trading

Policy

Camelot Portfolios, LLC's policy prohibits any employee from acting upon, misusing or disclosing any material non-public information, known as inside information. Any instances or questions regarding possible inside information must be immediately brought to the attention of the designated officer, Legal /Compliance Officer or senior management, and any violations of the firm's policy will result in disciplinary action and/or termination.

Background

Various federal and state securities laws and the Advisers Act (Section 204A) require every investment adviser to establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such adviser's business, to prevent the misuse of material, nonpublic information in violation of the Advisers Act or other securities laws by the investment adviser or any person associated with the investment adviser.

In August 2011, the State of Massachusetts became the first state to regulate the use of investment consultants by investment advisers when it adopted a rule requiring an adviser to first obtain a written certification that discloses all confidentiality restrictions that the consultant has that are relevant to its work for the adviser. The consultant must sign and date the attestation that acknowledged that the consultant will not provide the adviser with any material nonpublic information.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of the firm's Insider Trading Policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's insider trading policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- the Insider Trading Policy is distributed to all employees, and new employees upon hire, and requires a written acknowledgement by each employee,
- access persons (supervised persons) must disclose personal securities accounts, initial/annual securities holdings and report at least quarterly any reportable transactions in their employee and employee-related personal accounts,
- employees must report to a designated person or Compliance Officer all business, financial or personal relationships that may result in access to material, non-public information,
- a designated officer or Compliance Officer reviews all personal investment activity for employee and employee-related accounts,
- a designated officer or Compliance Officer provides guidance to employees on any possible insider trading situation or question,
- Camelot Portfolios, LLC's Insider Trading Policy is reviewed and evaluated on a periodic basis and updated as may be appropriate, and
- a designated officer or Compliance Officer prepares a written report to management and/or legal counsel of any possible violation of the firm's Insider Trading Policy for implementing corrective and/or disciplinary action.

Use of Expert Networks: Although the following requirements are specifically required by investment advisers registered with the MA Securities Division, all firms that utilize outside investment consultants and

expert networks should consider implementing similar procedures as a best practice:

- prior to retaining an investment consultant directly or through an expert networking firm, obtain written certification from the consultant that includes:
 - disclosure of all confidentiality restrictions that the consultant has or reasonably expects to have that are relevant to the potential consultation,
 - an affirmative statement that the consultant will not provide any confidential information to Camelot Portfolios, LLC,
 - a statement that the information contained in the certification is accurate as of the date of the initial, and any subsequent consultation(s), and
 - must be dated and signed by the consultant.

Note: Many SEC advisers now include the firm's Insider Trading Policy as part of the firm's Code of Ethics under recent SEC IA Code of Ethics rule (Rule 204A-1.) This is an acceptable and now a common practice so advisers need not have a separate Insider Trading Policy or separate procedures for prohibiting and detecting insider trading information if adequately covered in the firm's Code of Ethics.

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Investment Processes

Policy

As a registered adviser, and as a fiduciary to our advisory clients, Camelot Portfolios, LLC is required, and as a matter of policy, obtains background information as to each client's financial circumstances, investment objectives, investment restrictions and risk tolerance, among many other things, and provides its advisory services consistent with the client's objectives, etc., based on the information provided by each client.

Background

The U.S. Supreme Court has held that Section 206 (Prohibited Activities) of the Investment Advisers Act imposes a fiduciary duty on investment advisers by operation of law (*SEC v. Capital Gains Research Bureau, Inc.*, 1963).

Also, the SEC has indicated that an adviser has a duty, among other things, to ensure that its investment advice is suitable to the client's objectives, needs and circumstances, (SEC No-Action Letter, In re *John G. Kinnard and Co.*, publicly available 11/30/1973).

Every fiduciary has the duty and a responsibility to act in the utmost good faith and in the best interests of the client and to always place the client's interests first and foremost.

As part of this duty, a fiduciary and an adviser with such duties, must eliminate conflicts of interest, whether actual or potential, or make full and fair disclosure of all material facts of any conflicts so a client, or prospective client, may make an informed decision in each particular circumstance.

Responsibility

The firm's investment professionals responsible for the particular client relationship have the primary responsibility for determining and knowing each client's circumstances and managing the client's portfolio consistent with the client's objectives. Camelot Portfolios, LLC's designated officer has the overall responsibility for the implementation and monitoring of our investment processes policy, practices, disclosures and recordkeeping for the firm.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC obtains substantial background information about each client's financial circumstances, investment objectives, and risk tolerance, among other things, through an in-depth interview and information gathering process which includes client profile or relationship forms.
- Advisory clients may also have and provide written investment policy statements or written investment guidelines that the firm reviews, approves, and monitors as part of the firm's investment services, subject to any written revisions or updates received from a client.
- Camelot Portfolios, LLC provides the firm's applicable Form ADV Part 2 (i.e., *Firm Brochure* and/or *Wrap Fee Program Brochure*) to all prospective clients, disclosing the firm's advisory services, fees, conflicts of interest and portfolio/supervisory reviews and investment reports provided by the firm to clients.
- Camelot Portfolios, LLC may provide periodic reports to advisory clients which include important information about a client's financial situation, portfolio holdings, values and transactions, among other things. The firm may also provide performance information to advisory clients about the client's performance, which may also include a reference to a relevant market index or benchmark.
- Investment professionals may also schedule client meetings on a periodic basis, or request basis, to review a client's portfolio, performance, market conditions, financial circumstances, and investment objectives, among other things, to confirm the firm's investment decisions and services are consistent with the client's objectives and goals. Documentation of such reviews should be made in the client file.
- Client relationships and/or portfolios may be reviewed on a more formal basis on a quarterly or other periodic basis by designated supervisors or management personnel.

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Performance

Policy

Camelot Portfolios, LLC, as a matter of policy and practice, does prepare and distribute various performance information relating to the investment performance of the firm and advisory clients. Performance information is treated as advertising/ marketing materials and designed to obtain new advisory clients and to maintain existing client relationships. Camelot Portfolios, LLC's policy requires that any performance information and materials must be truthful and accurate, and prepared and presented in a manner consistent with applicable rules and regulatory guidelines and reviewed and approved by a designated officer. Camelot Portfolios, LLC's policy prohibits any performance information or materials that may be misleading, fraudulent, deceptive and/or manipulative.

Background

An investment adviser's performance information is included as part of a firm's advertising practices which are regulated by the SEC under Section 206 of the Advisers Act, which prohibits advisers from engaging in fraudulent, deceptive, or manipulative activities. The manner in which investment advisers portray themselves and their investment returns to existing and prospective clients is highly regulated. These standards include how performance is presented. SEC Rule 206(4)-1 proscribes various advertising practices of investment advisers as fraudulent, deceptive or manipulative and various SEC no-action letters provide guidelines for performance information.

Responsibility

Stephen Hanley has the responsibility for implementing and monitoring our policy for the preparation, presentation, review and approval of any performance information to ensure any materials are consistent with our policy and regulatory requirements. This designated person is also responsible for maintaining, as part of the Camelot Portfolios, LLC's books and records, copies of all performance materials, including the supporting records to demonstrate the calculation of any performance information for the entire performance information period consistent with applicable recordkeeping requirements, as well as records of reviews and approvals.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- All performance information and materials must be reviewed and approved prior to use by a designated officer, the President or another officer of the firm (other than the individual who prepared such material), who is familiar with applicable rules and standards for performance advertising.
- The initialing and dating of the performance materials will document approval.
- Each employee is responsible for ensuring that only approved materials are used, and that approved materials are not modified without the express written authorization of the designated officer.
- The designated officer is responsible for maintaining copies of any performance materials and supporting documentation for the calculation of performance materials.

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Code of Ethics

Policy

Camelot Portfolios, LLC, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act, which is applicable if the firm acts as investment adviser to a registered investment company), has adopted a written Code of Ethics covering all supervised persons. Our firm's Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings, reviews and sanctions. The firm's current Code of Ethics, and as amended, is incorporated by reference and made a part of these Policies and Procedures.

Background

In July 2004, the SEC adopted an important rule (Rule 204A-1) similar to Rule 17j-1 under the Investment Company Act, requiring SEC advisers to adopt a code of ethics. The new rule was designed to prevent fraud by reinforcing fiduciary principles that govern the conduct of advisory firms and their personnel.

The Code of Ethics rule had an effective date of 8/31/2004 and a compliance date of 2/1/2005. Among other things, the Code of Ethics rule requires the following:

- setting a high ethical standard of business conduct reflecting an adviser's fiduciary obligations;
- compliance with federal securities laws;
- access persons to periodically report personal securities transactions and holdings, with limited exceptions;
- prior approval for any IPO or private placement investments by access persons;
- reporting of violations;
- delivery and acknowledgement of the Code of Ethics by each supervised person;
- reviews and sanctions;
- recordkeeping; and
- summary Form ADV disclosure.

An investment adviser's Code of Ethics and related policies and procedures represent a strong internal control with supervisory reviews to detect and prevent possible insider trading, conflicts of interest and potential regulatory violations.

Responsibility

Stephen Hanley has the primary responsibility for the preparation, distribution, administration, periodic reviews, and monitoring our Code of Ethics, practices, disclosures, sanctions and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy on personal securities transactions and our Code of Ethics and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended, as appropriate, which include the following:

- Formal adoption of the firm's Code of Ethics by management.
- The Chief Compliance Officer annually distributes the current Code of Ethics to all supervised persons and to all new supervised persons upon hire.
- Each supervised person must acknowledge receipt of the firm's Code of Ethics initially upon hire and annually and return a signed acknowledgement/certification form to the Chief Compliance Officer.
- The Chief Compliance Officer, with other designated officer(s), annually reviews the firm's Code of Ethics and updates the Code of Ethics as may be appropriate.
- The Chief Compliance Officer periodically reviews access persons' personal transactions/holdings reports.
- The Chief Compliance Officer, or his/her designee, retains relevant Code of Ethics records as required, including but not limited to, Codes of Ethics, as amended from time to time, acknowledgement/certification forms, initial and annual holdings reports, quarterly reports of personal securities transactions, violations and sanctions, among others.
- The firm provides initial and periodic education about the Code of Ethics, and each person's

responsibilities and reporting requirements, under the Code of Ethics.

- The firm's Form ADV is amended and periodically reviewed by the Chief Compliance Officer to appropriately disclose a summary of the firm's Code of Ethics which includes an offer to deliver a copy of the Code upon request by an existing or prospective advisory client.
- The Chief Compliance Officer is responsible for receiving and responding to any client requests for the firm's Code of Ethics and maintaining required records.

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Political Contributions

Policy

It is Camelot Portfolios, LLC's policy to permit the firm, and its covered associates, to make political contributions to elected officials, candidates and others, consistent with this policy and regulatory requirements.

Camelot Portfolios, LLC recognizes that it is never appropriate to make or solicit political contributions, or provide gifts or entertainment for the purpose of improperly influencing the actions of public officials. Accordingly, our firm's policy is to restrict certain political contributions made to government officials and candidates of state and state political subdivisions who can influence or have the authority for hiring an investment adviser.

Camelot Portfolios, LLC's practice is to restrict, monitor and require prior approval of any political contributions to government officials. The firm also maintains appropriate records for all political contributions made by the firm and/or its covered associates.

Background

On June 22, 2011, the SEC adopted amendments to rule 206(4)-5, adding provisions extended the scope of the rule, making it applicable to (i) exempt reporting advisers, defined as an investment adviser that is exempt from registration because it is an adviser solely to one or more venture capital funds, or because it is an adviser solely to private funds and has assets under management in the United States of less than \$150 million; and foreign private advisers, as defined under rule 202(a)(30)-1.

The amendments also permit an adviser to pay a registered municipal advisor to act as a placement agent to solicit government entities on its behalf provided that the municipal advisor is subject to a pay-to-play rule adopted by the Municipal Securities Rulemaking Board (MSRB) that is at least as stringent as the investment adviser pay-to-play rule.

In addition, the SEC extended the compliance date applicable to third-party solicitor provisions from September 13, 2011 to June 13, 2012 to "provide time for the MSRB and FINRA to adopt pay-to-play rules if they choose to do so." The extension will also give third-party solicitors additional time to come into compliance with the applicable rules.

In July 2010, the SEC adopted "Pay-to-Play" rules; including the new anti-fraud Political Contributions by Certain Investment Advisers Rule (Rule 206(4)-5) under the Advisers Act (SEC Release No. IA-3043). The SEC had previously proposed a similar pay-to-play rule in 1999 which was not adopted. The political contribution rule was re-proposed in 2009 and adopted 7/1/2010.

The Political Contributions rule addresses certain pay-to-play practices such as making or soliciting campaign contributions or payments to certain government officials to influence the awarding of investment contracts for managing public pension plan assets and other state governmental investments.

The new rule applies to SEC registered advisers as well as advisers exempt from registration with the SEC pursuant to reliance on the private adviser exemption as provided in Section 203(b)(3) of the Advisers Act (hereafter, the "adviser"), which manage or seek to manage private investment funds in which government and governmental plans invest.

The Political Contribution Rule and amendments to Rule 204-2 are effective 9/13/2010, and the compliance date is 3/14/2011; although the Rule provides an extended date for compliance with certain of its provisions as detailed below.

By March 14, 2011, Advisers with clients who are government entities must comply with the amendments to Rule 204-2, including:

- maintaining required records of all individuals who are Covered Associates under the Rule;
- maintaining required records of political contributions made by the firm or its Covered Associates on and

after that date; and

- maintaining required records identifying all government entities to which the Adviser provides advisory services on and after that date

Notes: The Rule's prohibition on providing advisory services for compensation to a government entity within two years of a contribution will not apply to, and the Rule's prohibition on soliciting or coordinating contributions will not be triggered by contributions made before March 13, 2011 (i.e., six months after the effective date of the Rule).

Additionally, Advisers that pay regulated persons to solicit government entities for advisory services on their behalf must maintain a list of those persons. As noted above, this compliance date has been extended by the SEC to June 13, 2012.

Likewise, Advisers to registered investment companies that are "covered investment pools" must comply with the Rule requirements pertaining to such covered pools within one year after the effective date. During that interim time, contributions made by the Adviser or its Covered Associates to government entity clients that have selected the Adviser's registered investment company as an option of the plan or program will not trigger the prohibitions of the Rule.

Responsibility

Our firm's designated officer has the responsibility for the implementation and monitoring of our firm's political contribution policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy, conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- The Compliance Officer, or other designated officer, determines who is deemed to be a "Covered Associate" of the firm, maintains records including the names, titles, and business and residence addresses of all covered associates;
- The Compliance Officer, or other designated officer, obtains appropriate information from new employees (or employees promoted or otherwise transferred into positions) deemed to be covered associates, regarding any political contributions made within the preceding two years (from the date s/he becomes a covered associate) if such person will be soliciting municipal business;
- The Compliance Officer, or other designated officer, monitors and maintains records identifying all government entities to which Camelot Portfolios, LLC provides advisory services, if any;
- The Compliance Officer, or other designated officer, monitors and maintains records detailing political contributions made by the firm and/or its covered associates;
- Such records will be maintained in chronological order and will detail:
 - i. the name and title of the contributor;
 - ii. the name and title (including any city/county/state or other political subdivision) of each recipient of a contribution or payment;
 - iii. the amount and date of each contribution or payment; and
 - iv. whether any such contribution was the subject of the exception for certain returned contributions.
- The Compliance Officer, or other designated officer, will maintain appropriate records following the departure of a covered associate who made a political contribution triggering the two-year 'time out' period;
- The Compliance Officer, or other designated officer, maintains records reflecting approval of political contributions made by the firm and/or its covered associates;
- Prior to engaging a third party solicitor to solicit advisory business from a government entity, the Compliance Officer, or other designated officer, will determine that such solicitor is (1) a "regulated person" as defined under this Rule and (2) determined that such individual has not made certain political contributions or otherwise engaged in conduct that would disqualify the solicitor from meeting the definition of "regulated person";
- On at least an annual basis, the Compliance Officer, or other designated officer, will require covered associates and any third party solicitors to confirm that such person(s) have reported any and all political contributions, and continue to meet the definition of "regulated person";
- The Compliance Officer, or other designated officer, maintains records of each regulated person to whom the firm provides or agrees to provide (either directly or indirectly) payment to solicit a government entity for advisory services on its behalf.
- The Compliance Officer, or other designated officer, will monitor states' registration and/or reporting requirements pursuant to the firm's use of any 'placement agents' (including employees of the firm and/or its affiliates) for the solicitation of or arrangements for providing advisory services to any government entity or public pension plan.

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Principal Trading

Policy

Camelot Portfolios, LLC's policy and practice is to NOT engage in any principal transactions and our firm's policy is appropriately disclosed in Part 1A and Part 2A of Form ADV.

Background

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. As a fiduciary and under the anti-fraud section of the Advisers Act, principal transactions by advisers are prohibited unless the adviser 1) discloses its principal capacity in writing to the client in the transaction and 2) obtains the client's consent to each principal transaction before the settlement of the transaction.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our principal trading policy and disclosures that the firm/affiliated firm does not engage in any principal transactions with advisory clients.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly, and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's policy of prohibiting any principal trades with advisory clients has been communicated to relevant individuals, including management, traders and portfolio managers, among others.
- The firm's policy is appropriately disclosed in the firm's Form ADV, Parts 1A and 2A.
- Stephen Hanley periodically monitors the firm's advisory services and trading practices to help ensure no principal trades occur for advisory clients.
- In the event of any change in the firm's policy, any such change must be approved by management, and any principal transactions would only be allowed after appropriate reviews and approvals, disclosures, meeting strict regulatory requirements and maintaining proper records.

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Privacy

Policy

As a registered investment adviser, Camelot Portfolios, LLC must comply with SEC Regulation S-P (or other applicable regulations), which requires registered advisers to adopt policies and procedures to protect the "nonpublic personal information" of natural person consumers and customers and to disclose to such persons policies and procedures for protecting that information.

In addition, our firm's policy, to the extent applicable, is to comply with the FTC's FACT Act / Red Flags Rule which requires covered entities to develop and maintain an effective client identity theft prevention program.

Further, and as a SEC registered advisory firm, our firm must comply with new SEC Regulation S-AM, to the extent that the firm has affiliated entities with which it may share and use consumer information received from affiliates.

Camelot Portfolios, LLC must also comply with the California Financial Information Privacy Act (SB1) if the firm does business with California consumers.

Background

Regulation S-P

The purpose of these Reg S-P requirements and privacy policies and procedures is to provide administrative, technical and physical safeguards which assist employees in maintaining the confidentiality of nonpublic personal information ("NPI") collected from the consumers and customers of an investment adviser. All NPI, whether relating to an adviser's current or former clients, is subject to these privacy policies and procedures. Any doubts about the confidentiality of client information must be resolved in favor of confidentiality.

For Reg S-P purposes, NPI includes nonpublic "personally identifiable financial information" plus any list, description or grouping of customers that is derived from nonpublic personally identifiable financial information. Such information may include personal financial and account information, information relating to services performed for or transactions entered into on behalf of clients, advice provided by Camelot Portfolios, LLC to clients, and data or analyses derived from such NPI.

Red Flags Rule

The Federal Trade Commission's ("FTC") FACT Act / Red Flags Rule, which became effective 1/1/2008, covers "financial institutions" and "creditors." The Rule defines "financial institution" as any state or federal bank or any person that directly or indirectly holds a "transaction account" belonging to a consumer. A "creditor" includes a broad category of businesses or organizations that regularly defer payment for goods or services which are billed later. The FTC has clarified that any person that provides a product or service for which the consumer pays after delivery is a creditor under the Red Flags Rule.

Accordingly, an adviser who bills for advisory services in arrears is deemed to be a creditor and is, therefore, a "covered entity" under the Red Flags Rule. The FACT Act / Red Flags Rule requires covered entities to develop and maintain written identity theft prevention programs.

In October 2009, the FTC, at the request of Congress, extended for the fourth time the Fact Act/Red Flags Rule compliance date, from 1/1/2010 to 6/1/2010. Once again, the FTC announced that it has further delayed the compliance date for implementation of the Red Flags Rule pursuant to the request of "Members of Congress," while Congress considers legislation that would affect the scope of the entities covered by the Rule. Accordingly, the revised compliance date is now December 31, 2010. Consistent with prior compliance date delays, the FTC indicated that the postponement is limited to the Rule. The deferment of the compliance date does not affect other federal agencies ongoing enforcement of corresponding identity theft program regulations.

On December 9, 2010, Congress sent the President the "Red Flag Program Clarification Act of 2010," excluding certain providers that deliver service before payment. On December 18, President Obama signed

the bill into law. The legislation amends the Fair Credit Reporting Act (which the FACTA amended, and which states the penalties under the Red Flag rules) to redefine the term "creditor." Because the definition now *includes* one who uses or reports to consumer reporting agencies in connection with its transactions, and *excludes* one who "advances funds...for expenses incidental to a service provided by the creditor to that person," the definition is narrower and excludes many professionals, including most investment advisers.

Effective July 21, 2011, authority for the Red Flags Rule was transferred from the FTC to the SEC for firms over which the SEC has enforcement jurisdiction. While this change in authority has no immediate impact, the SEC has stated that at some future date it intends to conduct rulemaking that will set forth how the Red Flags Rule may apply to the SEC-registered investment advisers and other firms subject to its enforcement authority.

Regulation S-AM

New SEC Regulation S-AM, effective 9/10/2009, with a postponed compliance date from 1/1/2010 to 6/1/2010, requires SEC investment advisers, and other SEC regulated entities, to the extent relevant, to implement limitations on the firm's use of certain consumer information received from an affiliated entity to solicit that consumer for marketing purposes. Regulation S-AM provides for notice and opt-out procedures, among other things. The compliance date was extended to allow registered firms to establish systems to meet the new regulatory requirements.

Responsibility

Stephen Hanley is responsible for reviewing, maintaining and enforcing these policies and procedures to ensure meeting Camelot Portfolios, LLC's client privacy goals and objectives while at a minimum ensuring compliance with applicable federal and state laws and regulations. Stephen Hanley may recommend to the firm's principal(s) any disciplinary or other action as appropriate. Stephen Hanley is also responsible for distributing these policies and procedures to employees and conducting appropriate employee training to ensure employee adherence to these policies and procedures.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

Non-Disclosure of Client Information

Camelot Portfolios, LLC maintains safeguards to comply with federal and state standards to guard each client's nonpublic personal information ("NPI"). Camelot Portfolios, LLC does not share any NPI with any nonaffiliated third parties, except in the following circumstances:

- As necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over Camelot Portfolios, LLC, or as otherwise required by any applicable law; and
- To the extent reasonably necessary to prevent fraud and unauthorized transactions.

Employees are prohibited, either during or after termination of their employment, from disclosing NPI to any person or entity outside Camelot Portfolios, LLC, including family members, except under the circumstances described above. An employee is permitted to disclose NPI only to such other employees who need to have access to such information to deliver our services to the client.

Safeguarding and Disposal of Client Information

Camelot Portfolios, LLC restricts access to NPI to those employees who need to know such information to provide services to our clients.

Any employee who is authorized to have access to NPI is required to keep such information in a secure compartments or receptacle on a daily basis as of the close of business each day. All electronic or computer files containing such information shall be password secured and firewall protected from access by unauthorized persons. Any conversations involving NPI, if appropriate at all, must be conducted by employees in private, and care must be taken to avoid any unauthorized persons overhearing or intercepting such conversations.

Safeguarding standards encompass all aspects of the Camelot Portfolios, LLC that affect security. This

includes not just computer security standards but also such areas as physical security and personnel procedures. Examples of important safeguarding standards that Camelot Portfolios, LLC may adopt include:

- Access controls on customer information systems, including controls to authenticate and permit access only to authorized individuals and controls to prevent employees from providing customer information to unauthorized individuals who may seek to obtain this information through fraudulent means (e.g., requiring employee use of user ID numbers and passwords, etc.);
- Access restrictions at physical locations containing customer information, such as buildings, computer facilities, and records storage facilities to permit access only to authorized individuals (e.g., intruder detection devices, use of fire and burglar resistant storage devices);
- Encryption of electronic customer information, including while in transit or in storage on networks or systems to which unauthorized individuals may have access;
- Procedures designed to ensure that customer information system modifications are consistent with the firm's information security program (e.g., independent approval and periodic audits of system modifications);
- Dual control procedures, segregation of duties, and employee background checks for employees with responsibilities for or access to customer information (e.g., require data entry to be reviewed for accuracy by personnel not involved in its preparation; adjustments and correction of master records should be reviewed and approved by personnel other than those approving routine transactions, etc.);
- Monitoring systems and procedures to detect actual and attempted attacks on or intrusions into customer information systems (e.g., data should be auditable for detection of loss and accidental and intentional manipulation);
- Response programs that specify actions to be taken when the firm suspects or detects that unauthorized individuals have gained access to customer information systems, including appropriate reports to regulatory and law enforcement agencies;
- Measures to protect against destruction, loss, or damage of customer information due to potential environmental hazards, such as fire and water damage or technological failures (e.g., use of fire resistant storage facilities and vaults; backup and store off site key data to ensure proper recovery); and
- Information systems security should incorporate system audits and monitoring, security of physical facilities and personnel, the use of commercial or in-house services (such as networking services), and contingency planning.

Any employee who is authorized to possess "consumer report information" for a business purpose is required to take reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal. There are several components to establishing 'reasonable' measures that are appropriate for the firm:

- Assessing the sensitivity of the consumer report information we collect;
- The nature of our advisory services and the size of our operation;
- Evaluating the costs and benefits of different disposal methods; and
- Researching relevant technological changes and capabilities.

Some methods of disposal to ensure that the information cannot practicably be read or reconstructed that Camelot Portfolios, LLC may adopt include:

- Procedures requiring the burning, pulverizing, or shredding of papers containing consumer report information;
- Procedures to ensure the destruction or erasure of electronic media; and
- After due diligence, contracting with a service provider engaged in the business of record destruction, to provide such services in a manner consistent with the disposal rule.

Privacy Notices

Camelot Portfolios, LLC will provide each natural person client with initial notice of the firm's current policy when the client relationship is established. Camelot Portfolios, LLC shall also provide each such client with a new notice of the firm's current privacy policies at least annually. If Camelot Portfolios, LLC shares nonpublic personal information ("NPI") relating to a non-California consumer with a nonaffiliated company under circumstances not covered by an exception under Regulation S-P, the firm will deliver to each affected consumer an opportunity to opt out of such information sharing. If Camelot Portfolios, LLC shares NPI relating to a California consumer with a non-affiliated company under circumstances not covered by an exception under SB1, the firm will deliver to each affected consumer an opportunity to opt in regarding such information sharing. If, at any time, Camelot Portfolios, LLC adopts material changes to its privacy policies, the firm shall provide each such client with a revised notice reflecting the new privacy policies. The Compliance Officer is responsible for ensuring that required notices are distributed to the Camelot Portfolios, LLC's consumers and customers.

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Proxy Voting

Policy

Camelot Portfolios, LLC, as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

Background

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised.

Investment advisers registered with the SEC, and which exercise voting authority with respect to client securities, are required by Rule 206(4)-6 of the Advisers Act to (a) adopt and implement written policies and procedures that are reasonably designed to ensure that client securities are voted in the best interests of clients, which must include how an adviser addresses material conflicts that may arise between an adviser's interests and those of its clients; (b) to disclose to clients how they may obtain information from the adviser with respect to the voting of proxies for their securities; (c) to describe to clients a summary of its proxy voting policies and procedures and, upon request, furnish a copy to its clients; and (d) maintain certain records relating to the adviser's proxy voting activities when the adviser does have proxy voting authority.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our proxy voting policy, practices, disclosures and record keeping, including outlining our voting guidelines in our procedures.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

Voting Procedures

- All employees will forward any proxy materials received on behalf of clients to Stephen Hanley;
- Stephen Hanley will determine which client accounts hold the security to which the proxy relates;
- Absent material conflicts, Stephen Hanley will determine how Camelot Portfolios, LLC should vote the proxy in accordance with applicable voting guidelines, complete the proxy and vote the proxy in a timely and appropriate manner.

Disclosure

- Camelot Portfolios, LLC will provide required disclosures in response to Item 17 of Form ADV Part 2A summarizing this proxy voting policy and procedures, including a statement that clients may request information regarding how Camelot Portfolios, LLC voted a client's proxies, and that clients may request a copy of the firm's proxy policies and procedures.
- Stephen Hanley will also send a copy of this summary to all existing clients who have previously received Camelot Portfolios, LLC's Form ADV Part 2; or Stephen Hanley may send each client the amended Form

Client Requests for Information

- All client requests for information regarding proxy votes, or policies and procedures, received by any employee should be forwarded to Stephen Hanley.
- In response to any request, Stephen Hanley will prepare a written response to the client with the information requested, and as applicable will include the name of the issuer, the proposal voted upon, and how Camelot Portfolios, LLC voted the client's proxy with respect to each proposal about which client inquired.

Voting Guidelines

- In the absence of specific voting guidelines from the client, Camelot Portfolios, LLC will vote proxies in the best interests of each particular client. Camelot Portfolios, LLC's policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on Camelot Portfolios, LLC's voting authority in the same manner that they may place such restrictions on the actual selection of account securities.
- Camelot Portfolios, LLC will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest raised by an auditors non-audit services.
- Camelot Portfolios, LLC will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.
- In reviewing proposals, Camelot Portfolios, LLC will further consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices.

Conflicts of Interest

- Camelot Portfolios, LLC will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of Camelot Portfolios, LLC with the issuer of each security to determine if Camelot Portfolios, LLC or any of its employees has any financial, business or personal relationship with the issuer.
- If a material conflict of interest exists, Stephen Hanley will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation.
- Camelot Portfolios, LLC will maintain a record of the voting resolution of any conflict of interest.

Recordkeeping

Stephen Hanley shall retain the following proxy records in accordance with the SEC's five-year retention requirement.

- These policies and procedures and any amendments;
- Each proxy statement that Camelot Portfolios, LLC receives;
- A record of each vote that Camelot Portfolios, LLC casts;
- Any document Camelot Portfolios, LLC created that was material to making a decision how to vote proxies, or that memorializes that decision including periodic reports to Stephen Hanley or proxy committee, if applicable.

- A copy of each written request from a client for information on how Camelot Portfolios, LLC voted such client's proxies, and a copy of any written response.

(NOTE: In the event an adviser retains the research, voting and/or recordkeeping services of an outside proxy firm, the adviser must tailor its proxy policy and procedures to be consistent with the services received and the firm's actual proxy handling and voting processes.)

In addition, advisers should conduct initial due diligence reviews of any proxy service firm engaged as well as oversight on an on-going or periodic basis. These reviews of the proxy firms' services and practices should include conflicts of interest, consistency of voting with guidelines, fees and disclosures, as relevant, among other things. Advisers, as a matter of best practices, should document any initial and oversight reviews.

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Registration

Policy

As an SEC-registered investment adviser, Camelot Portfolios, LLC maintains and renews its adviser registration on an annual basis through the Investment Adviser Registration Depository (IARD), for the firm, state notice filings, as appropriate, and licensing of its investment adviser representatives (IARs).

Camelot Portfolios, LLC's policy is to monitor and maintain all appropriate firm notice filings and IAR registrations that may be required for providing advisory services to our clients in any location. Camelot Portfolios, LLC monitors the state residences of our advisory clients, and will not provide advisory services unless appropriately registered as required, or a de minimis or other exemption exists.

Background

In accordance with the Advisers Act, and unless otherwise exempt from registration requirements, investment adviser firms are required to be registered either with the Securities and Exchange Commission (SEC) or with the state(s) in which the firm maintains a place of business and/or is otherwise required to register in accordance with each individual state(s) regulations and de minimis requirements. The registered investment adviser is required to maintain such registrations on an annual basis through the timely payment of renewal fees and filing of the firm's Annual Updating Amendment.

Individuals providing advisory services on behalf of the firm are also required to maintain appropriate registration(s) in accordance with each state(s) regulations unless otherwise exempt from such registration requirements. The definition of investment adviser representative may vary on a state-by-state basis. Supervised persons providing advice on behalf of SEC-registered advisers are governed by the federal definition of investment adviser representative to determine whether or not state IAR registration is required. The investment adviser representative registration(s) must also be renewed on an annual basis through the IARD and the timely payment of renewal fees.

Beginning in November 2011, FINRA is implementing an annual Entitlement User Accounts Certification Process which requires the firm's designated Super Account Administrator (SAA) to review and update as necessary each user at their organization who is authorized to access specific applications on the IARD and/or CRD systems. If the SAA fails to complete the Certification Process within the proscribed 30 days, neither the SAA nor the firm's Accounts Administrators will be able to create, edit and clone user accounts for the firm until such time as the SAA complete the Certification Process.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our registration policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- The Chief Compliance Officer, or other designated officer, monitors the state residences of our advisory clients, and the firm and/or its IARs will not provide advisory services unless appropriately notice filed or licensed as required, or a de minimis or other exemption exists.
- Camelot Portfolios, LLC's Chief Compliance Officer, or other designated officer, monitors the firm's and IAR registration requirements on an on-going as well as a periodic basis.
- Notice filings and IAR licensing filings are made on a timely basis and appropriate files and copies of all filings are maintained by the Chief Compliance Officer or other designated officer.

- The firm's designated SAA will promptly respond to and complete FINRA's annual Entitlement User Accounts Certification Process to ensure that the firm maintains necessary and appropriate access to these systems. On at least an annual basis, the SAA will conduct a full review of individuals authorized as Users on the firm's IARD/CRD system, including an assessment of each User's current authorization(s). The SAA will terminate or modify such authorizations based on each individual's need to access such applications.

Camelot Portfolios, LLC's Chief Compliance Officer, or other designated officer, is responsible for overseeing the IARD/CRD Annual Renewal Program, including:

- conducting a review of the current notice filings/registrations for the firm and its IARs prior to FINRA's publication of the current year's Preliminary Renewal Statement (typically published in early November);
- adding any necessary notice filings/registrations and/or withdrawing unnecessary notice filings/registrations on the IARD/CRD systems prior to the issuance of the Preliminary Renewal Statement to facilitate renewals and avoid payment of unnecessary registration fees;
- ensuring that payment of the firm's Preliminary Renewal Statement is made in a timely manner to avoid (1) termination of required notice filings and IAR registrations, and (2) violations of regulatory requirements; and
- obtains and reviews the firm's Final Renewal Statement (published by FINRA on the first business day of the new year), and ensures prompt payment of any additional registration fees or obtains a refund for terminated registrations, if applicable

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Regulatory Reporting

Policy

As a registered investment adviser with the SEC, or appropriate state(s), Camelot Portfolios, LLC's policy is to maintain the firm's regulatory reporting requirements on an effective and good standing basis at all times. Camelot Portfolios, LLC also monitors, on an on-going and periodic basis, any regulatory filings or other matters that may require amendment or additional filings with the SEC and/or any states for the firm and its associated persons.

Any regulatory filings for the firm are to be made promptly and accurately. Our firm's regulatory filings may include Form ADV, Form PF, Schedules 13D, 13G, Form 13F, 13H, FBAR and/or TIC Form SLT filings, among others that may be appropriate.

Background

Form ADV serves as an adviser's registration and disclosure brochures. Form ADV, therefore, provides information to the public and to regulators regarding an investment adviser. Regulations require that material changes to Form ADV be updated promptly and that Form ADV be updated annually.

Pursuant to rules adopted by the SEC implementing Sections 404 and 406 of the Dodd-Frank Act, SEC-registered investment advisers with at least \$150 million in private fund assets under management are required to periodically file Form PF.

Schedules 13D, 13G, and Form 13F filings are required under the Securities Acts related to client holdings in equity securities. Form D filings under Regulation D of the Securities Act of 1933 allow issuers of private securities to make offerings, e.g., hedge and private equity fund offerings to investors without registration under the 1933 Act. Form 13H filings are required under the Exchange Act for firms designated as large traders.

U. S. Department of the Treasury TIC Form SLT is filed with the Federal Reserve Bank of New York to report certain foreign-resident holdings of long-term U.S. securities and/or U.S.-resident holdings of long-term foreign securities. FBAR filings are required for every U.S. person who has a financial interest in, or signature or other authority over, any foreign financial accounts, including bank, securities, or other types of financial accounts in a foreign country, must report that relationship each calendar year by filing an FBAR with Treasury on or before June 30 of the succeeding year, if the aggregate value of these financial accounts exceeds \$10,000 at any time during the calendar year.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our regulatory reporting policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC makes an annual filing of Form ADV within 90 days of the end of each fiscal year (Annual Updating Amendment) to update certain information required to be updated on an annual basis.
- Camelot Portfolios, LLC promptly updates our Disclosure Document and certain information in Form ADV, Part 1 and Part 2, as appropriate, when material changes occur.
- All employees should report to the Compliance Officer or other designated officer any information in Form ADV that such employee believes to be materially inaccurate or omits material information.
- Stephen Hanley will review Schedules 13D, 13G, and Form 13F, 13H and D, FBAR, TIC Form SLT and Form PF filing requirements and make such filings and keep appropriate records as required.

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Soft Dollars

Policy

Camelot Portfolios, LLC, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

Background

Soft dollars generally refers to arrangements whereby a discretionary investment adviser is allowed to pay for and receive research, research-related or execution services from a broker-dealer or third-party provider, in addition to the execution of transactions, in exchange for the brokerage commissions from transactions for client accounts.

Section 28(e) of the Securities Exchange Act of 1934 allows and provides a safe harbor for discretionary investment advisers to pay an increased commission, above what another broker-dealer would charge for executing a transaction, for research and brokerage services, provided the adviser has made a good faith determination that the value of the research and brokerage services qualifies as reasonable in relation to the amount of commissions paid. Further, under SEC guidelines, the determination as to whether a product or service is research or other brokerage services, and eligible for the Section 28(e) safe harbor, is whether it provides lawful and appropriate assistance to the investment manager in performance of its investment decision-making responsibilities.

In Interpretative Release *Commission Guidance Regarding Client Commission Practices Under Section 28(e)*, dated 7/24/2006, the SEC revised and clarified "brokerage and research services" in view of evolving technologies and industry practices. The Release updated prior Section 28(e) guidance and revised definitions including eligible and non-eligible research products and services for the Section 28(2) safe harbor. The SEC Release was effective 7/24/2006.

In 2008, the SEC proposed guidance about the responsibilities of boards of directors of investment companies regarding portfolio trading practices including soft dollars and best execution practices. (See Release Nos. 34-58264, IC-28345, and IA-2763, 7/20/2008).

Pursuant to the SEC's adoption of *Amendments to Form ADV* (Release No. IA-3060), advisers are required to disclose their practices regarding their use of soft dollars in response to Item 12 of the new Form ADV Part 2. Such disclosures should describe the adviser's practices, including:

- whether the firm's practices will cause the client to pay-up (i.e., client accounts will pay more than the lowest available commission rate in exchange for the adviser receiving soft dollar products or services);
- the types of products and services received by the adviser or its related persons using client brokerage commissions *within the adviser's last fiscal year*;
- procedures used *during its last fiscal year* to direct client transactions to certain brokers in return for soft dollar benefits;
- identify potential conflicts of interest and how the adviser will address them (note that advisers must provide more explicit details for any products or services received that do not qualify under Section 28 (e)).

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our soft dollar policy that the firm does not utilize any research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's policy of prohibiting utilizing any research, and research-related products or services has been communicated to relevant individuals including management, traders and portfolio managers, among others.
- Camelot Portfolios, LLC's policy is appropriately disclosed in the firm's Part 2A of Form ADV: *Firm Brochure*.
- Stephen Hanley periodically monitors the firm's business relationships and advisory services to ensure no research services or products are being obtained on a soft dollar basis.
- In the event of any change in the firm's policy, any such change must be approved by management, and any soft dollar arrangements would only be allowed after appropriate reviews and approvals, disclosures, meeting regulatory requirements and maintaining proper records.

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Solicitor Arrangements

Policy

Camelot Portfolios, LLC, as a matter policy and practice, may compensate persons, i.e., individuals or entities, for the referral of advisory clients to the firm provided appropriate disclosures and regulatory requirements are met.

Background

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

The definition of client includes any prospective client.

During 2009, several states have adopted regulations prohibiting or limiting the use of "placement agents" by advisers and others for soliciting the advisory business of government entities and public pension plans.

Further, in July 2010, the SEC adopted a new anti-fraud Political Contributions Rule (Rule 206(4)-5) under the Investment Advisers Act, relating to and restricting political contributions by advisers and their "covered associates" to officials of state and state political subdivision governments in order to influence the awarding of investment contracts for managing public pension plan assets and government investments.

The SEC Political Contribution Rule is effective 9/13/2010, with an initial compliance date of 3/14/2011. However, on June 22, 2011, the SEC adopted amendments to this rule making it applicable to exempt reporting advisers and foreign private advisers. In addition, the amendments make it permissible for SEC-registered municipal advisers to engage in solicitation activities for investment advisory services on behalf of an investment adviser. Furthermore, the SEC extended the compliance date for third-party solicitor provisions under the rule from September 13, 2011 to June 13, 2012. This extension is intended to provide time for the MSRB and FINRA to adopt pay-to-play rules (if they choose to do so) and give third-party solicitors additional time to come into compliance with such rules.

The SEC has clarified that the Cash Solicitation Rule, and its solicitor agreement and disclosure requirements, does NOT apply to an investment adviser's cash payment to a person solely to compensate that person for soliciting investors to invest in an investment fund managed by the adviser.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our cash solicitation policy, practices, disclosures and recordkeeping.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's management has approved the firm's solicitor policy.
- Camelot Portfolios, LLC's designated officer reviews and approves any solicitor arrangements including approval of the particular solicitor's agreement(s), reviews of the solicitors' background, compensation arrangements, and related matters.
- Camelot Portfolios, LLC's designated officer also monitors the firm's use of any "placement agents" for the solicitation of or arrangements for providing advisory services to any government entity or public pension plan.
- Camelot Portfolios, LLC's designated officer periodically monitors the firm's solicitor arrangements to note any new or terminated relationships, makes sure appropriate records are maintained and solicitor fees paid and Form ADV disclosures are current and accurate.

- Camelot Portfolios, LLC's designated officer may establish a policy and procedures for restricting and monitoring political contributions made by the firm and covered associates to government officials and/or candidates.
- To the extent that Camelot Portfolios, LLC engages in soliciting government entities, Camelot Portfolios, LLC's designated officer will verify that each individual engaged in such solicitation activities meets the definition of "regulated person" as provided in Rule 206(4)-5
 - Camelot Portfolios, LLC's designated officer will maintain required books and records for such regulated persons.

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Supervision & Internal Controls

Policy

Camelot Portfolios, LLC has adopted these written policies and procedures which are designed to set standards and internal controls for the firm, its employees, and its businesses and are also reasonably designed to prevent, detect, and correct any violations of regulatory requirements and the firm's policies and procedures. Every employee and manager is required to be responsible for and monitor those individuals and departments he or she supervises to detect, prevent and report any activities inconsistent with the firm's procedures, policies, high professional standards, or legal/regulatory requirements.

Consistent with our firm's overriding commitment as fiduciaries to our clients, we rely on all employees to abide by our firm's policies and procedures; and, equally importantly, to internally report instances in which it is believed that one or more of those policies and/or practices is being violated. It is the expressed policy of this firm that no employee will suffer adverse consequences for any report made in good faith.

Any unlawful or unethical activities are strictly prohibited. All firm personnel are expected to conduct business legally and ethically, regardless of where in the world such business is transacted.

Background

The SEC adopted the anti-fraud rule titled Compliance Procedures and Practices (Rule 206(4)-7) under the Advisers Act requiring more formal compliance programs for all SEC registered advisers. The rule became effective 2/5/2004 and SEC advisers had until 10/5/2004 (compliance date) to be in compliance with the rule.

Rule 206(4)-7 makes it unlawful for a SEC adviser to provide investment advice to clients unless the adviser:

1. adopts and implements written policies and procedures reasonably designed to prevent violations by the firm and its supervised persons;
2. reviews, at least annually, the adequacy and effectiveness of the policies and procedures;
3. designates a chief compliance officer who is responsible for administering the policies and procedures; and
4. maintains records of the policies and procedures and annual reviews.

Under Section 203(e)(6), the SEC is authorized to take action against an adviser or any associated person who has failed to supervise reasonably in an effort designed to prevent violations of the securities laws, rules and regulations. This section also provides that no person will be deemed to have failed to supervise reasonably provided:

1. there are established procedures and a system which would reasonably be expected to prevent any violations;
2. and such person has reasonably discharged his duties and obligations under the firm's procedures and system without reasonable cause to believe that the procedures and system were not being complied with.

Furthermore, on May 25, 2011, the SEC adopted final rules implementing the whistleblower provisions of the Dodd-Frank Act, which offer monetary incentives to persons who provide the SEC with information leading to a successful enforcement action. While the rules incentive rather than require prospective whistleblowers to use internal company compliance program, the regulations clarify that the SEC, when considering the amount of an award, will consider to what extent (if any) the whistleblower participated in the internal compliance processes of the firm.

Firms that engage in business activities outside of the United States may be subject to additional laws and regulations, including among others, the U.S. Foreign Corrupt Practices Act of 1977 as amended (the "FCPA") and the U.K. Bribery Act 2010 (the "Bribery Act"). Both these laws make it illegal for U.S. citizens and companies, including their employees, directors, stockholders, agents and anyone acting on their behalf (regardless of whether they are U.S. citizens or companies), to bribe non-U.S. government officials. The Bribery Act is more expansive in that it criminalizes commercial bribery and public corruption, as well as the receipt of improper payments.

Responsibility

Every employee has a responsibility for knowing and following the firm's policies and procedures. Every person in a supervisory role is also responsible for those individuals under his/her supervision. The President, or a similarly designated officer, has overall supervisory responsibility for the firm.

Recognizing our shared commitment to our clients, all employees are required to conduct themselves with the utmost loyalty and integrity in their dealings with our clients, customers, stakeholders and one another. Improper conduct on the part of any employee puts the firm and company personnel risk. Therefore, while managers and senior management ultimately have supervisory responsibility and authority, these individuals cannot stop or remedy misconduct unless they know about it. Accordingly, all employees are not only expected to, but are required to report their concerns about potentially illegal conduct as well as violations of our company's policies.

Stephen Hanley, as the Compliance Officer, has the overall responsibility for administering, monitoring and testing compliance with Camelot Portfolios, LLC's policies and procedures. Possible violations of these policies or procedures will be documented and reported to the appropriate department manager for remedial action. Repeated violations, or violations that the Compliance Officer deems to be of serious nature, will be reported by the Compliance Officer directly to the President, or a similarly designated officer, and/or the Board of Directors for remedial action.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy, conducts reviews of internal controls to monitor and ensure the firm's supervision policy is observed, implemented properly and amended or updated, as appropriate which including the following:

- Designation of a Chief Compliance Officer as responsible for implementing and monitoring the firm's compliance policies and procedures.
- An Annual Compliance Meeting and on-going and targeted compliance training.
- Procedures for screening the background of potential new employees.
- Initial training of newly hired employees about the firm's compliance policies.
- Adoption of these written policies and procedures with statements of policy, designated persons responsible for the policy and procedures designed to implement and monitor the firm's policy.
- Annual review of the firm's policies and procedures by the Compliance Officer and senior management.
- Periodic reviews of employees' activities, e.g., personal trading.
- Annual written representations by employees as to understanding and abiding by the firm's policies.
- To facilitate internal reporting by firm employees, the firm has established several alternatives methods to allow employees to report their concerns, including drop boxes, a toll-free number, and open channels of communications to the firm's compliance staff.
- Internal reports will be handled promptly and discretely, with the overall intent to maintain the anonymity of the individual making the report. When appropriate, investigations of such reports may be conducted by independent personnel.
- Supervisory reviews and sanctions for violations of the firm's policies or regulatory requirements.

Anti-Corruption Procedures

Camelot Portfolios, LLC has adopted written policies and procedures relative to any of our off-shore business undertakings. These policies and procedures have been developed proportionate to the firm's risk and are designed to deter and detect foreign bribery. They are applicable to all officers, directors, and employees, as well as other entities over which our firm has control, with respect to foreign business activities we conduct. Our policies include the following:

- Our firm's policies regarding gifts, entertainment, charitable contributions and solicitation activities are contained herein and are generally applicable to any of our business activities, except with respect to any interaction with a foreign government official.
- Because of regulatory implications, our firm policy prohibits providing anything of value to a foreign government official without first obtaining approval from a designated officer of the firm.
- Our firm's policy prohibits facilitation payments.
- We will conduct risk-based due diligence prior to the engagement of third-parties such as joint-venture partners, consultants, representatives, contractors, agents and other intermediaries, and any other individuals/entities representing our firm.
- We will provide such third-parties with our firm's anti-corruption/anti-bribery policies and obtain their written commitment to abide by such policies.
- We have a financial/accounting system that ensures the maintenance of accurate records and accounts.
- Our HR policies ensure that no employee will suffer any adverse consequences for refusing to pay bribes—even if that may result in the loss of business.
- We provide appropriate anti-corruption compliance training for the firm's officers, directors and those employees having possible exposure to corruption; additionally, new employees will undergo appropriate

training upon joining the company when such training is relevant to the individual's job function.

- Camelot Portfolios, LLC's CCO or other designated officer should be contacted directly with any questions concerning the firm's practices (particularly when there is an urgent need for advice on difficult situations in foreign jurisdictions).
- We require annual written certification by each officer, director or employee of his/her commitment to abide by the firm's anti-corruption policy.
- We require mandatory reporting to Camelot Portfolios, LLC's CCO or other designated officer of any incident or perceived incident of bribery; consistent with our firm's Whistleblower reporting procedures, such reports will be investigated and handled promptly and discretely.
- Violations of the firm's policies may result in disciplinary actions up to and including termination of employment.

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Trading

Policy

As an adviser and a fiduciary to our clients, our clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the client's favor.

Our firm has adopted the following policies and practices to meet the firm's fiduciary responsibilities and to ensure our trading practices are fair to all clients and that no client or account is advantaged or disadvantaged over any other.

Also, Camelot Portfolios, LLC's trading practices are generally disclosed in response to Item 12 in Part 2A of Form ADV, which is provided to prospective clients and annually delivered to current clients.

Background

As a fiduciary, many conflicts of interest may arise in the trading activities on behalf of our clients, our firm and our employees, and must be disclosed and resolved in the interests of the clients. In addition, securities laws, insider trading prohibitions and the Advisers Act, and rules thereunder, prohibit certain types of trading activities.

Aggregation

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients.

Our firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

In the event transactions for an adviser, its employees or principals ("proprietary accounts") are aggregated with client transactions, conflicts arise and special policies and procedures must be adopted to disclose and address these conflicts.

Allocation

As a matter of policy, an adviser's allocation procedures must be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients.

Camelot Portfolios, LLC's policy prohibits any allocation of trades in a manner that Camelot Portfolios, LLC's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts.

Camelot Portfolios, LLC has adopted a clear written policy for the fair and equitable allocation of transactions, (e.g., pro-rata allocation, rotational allocation, or other means) which is disclosed in Camelot Portfolios, LLC's Form ADV Part 2A.

IPOs

Initial public offerings ("IPOs") or new issues are offerings of securities which frequently are of limited size and limited availability. These offerings may trade at a premium above the initial offering price.

In the event Camelot Portfolios, LLC participates in any new issues, Camelot Portfolios, LLC's policy and practice is to allocate new issues shares fairly and equitably among our advisory clients according to a specific and consistent basis so as not to advantage any firm, personal or related account and so as not to favor or disfavor any client, or group of clients, over any other.

Trade Errors

As a fiduciary, Camelot Portfolios, LLC has the responsibility to effect orders correctly, promptly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions, due to Camelot Portfolios, LLC's actions, or inaction, or actions of others, Camelot Portfolios, LLC's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting Camelot Portfolios, LLC in any way.

If the error is the responsibility of Camelot Portfolios, LLC, any client transaction will be corrected and Camelot Portfolios, LLC will be responsible for any client loss resulting from an inaccurate or erroneous order.

Camelot Portfolios, LLC's policy and practice is to monitor and reconcile all trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval and maintain a trade error file.

Large Trader Reporting

Large traders (defined as a person whose transactions in NMS securities in aggregate equal to or exceed two million shares or \$20 million during any calendar day, or 20 million shares or \$200 million during any calendar month) will be required to identify themselves to the SEC through the filing of Form 13H on the EDGAR system.

Camelot Portfolios, LLC's policy and practice is to monitor the volume of trading conducted to determine if and when we become subject to filing Form 13H.

Upon the determination that Camelot Portfolios, LLC is a large trader subject to the large trading reporting requirements, the firm will submit its initial Form 13H filing (i.e., within 10 days of first effecting transactions in an aggregate amount equal to or greater than the identifying activity level) and disclose our status as a large trader to registered broker-dealers effecting transactions on our behalf.

Once designated as a large trader, Camelot Portfolios, LLC will effect the annual filing of Form 13H within 45 days of our fiscal year end and ensure that any amendments to Form 13H are timely filed.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our trading policies and practices, disclosures and recordkeeping for the firm.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's trading policies are observed, implemented properly and amended or updated, which include the following:

- Trading reviews, reconciliations of any and all securities transactions for advisory clients.
- Monitoring the volume of the firm's transactions in NMS securities to determine if and when the firm is subject to large trader reporting obligations.
- Periodic supervisory reviews of the firm's trading practices.
- Periodic reviews of the firm's Form ADV, advisory agreements, and other materials for appropriate disclosures of the firm's trading practices and any conflicts of interests.
- Designation of a Brokerage Committee, or other designated person, to review and monitor the firm's trading practices.

If the firm is a 'Large Trader' pursuant to SEC Rule 13h-1 (the Large Trader Rule), the firm's trading practices should include the following:

- Providing the firm's LTID (large trader identification number) to all registered broker-dealers executing trades on its behalf.
- Maintain an accurate and current list of its approved registered broker-dealers which details regarding notification of the firm's LTID.
- Ensure timely filing of the annual update to Form 13H as well as quarterly updates when necessary, to correct information previously disclosed that has become inaccurate. • Ensure timely filing of the annual update to Form 13H as well as quarterly updates when necessary, to correct information previously

disclosed that has become inaccurate.

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Valuation of Securities

Policy

As a registered adviser and as a fiduciary to our advisory clients, Camelot Portfolios, LLC, has adopted this policy which requires that all client portfolios and investments reflect current, fair and accurate market valuations. Any pricing errors, adjustments or corrections are to be verified, preferably through independent sources or services, and reviewed and approved by the firm's designated person(s) or pricing committee.

Background

As a fiduciary, our firm must always place our client's interests first and foremost and this includes pricing processes, which ensure fair, accurate and current valuations of client securities of whatever nature. Proper valuations are necessary for accurate performance calculations and fee billing purposes, among others. Because of the many possible investments, various pricing services and sources and diverse characteristics of many investment vehicles, independent sources, periodic reviews and testing, exception reporting, and approvals and documentation or pricing changes are necessary with appropriate summary disclosures as to the firm's pricing policy and practices. Independent custodians of client accounts may serve as the primary pricing source.

On May 12, 2011, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued new guidance on fair value measurement and disclosure requirements under US generally accepted accounting principles GAAP and International Financial Reporting Standards (IFRS).

Among other things, the update defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Furthermore, when measuring fair value, a reporting entity must take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Additional guidance is provided on valuations techniques such as market approach, cost approach and income approach.

Responsibility

Stephen Hanley, or the firm's pricing committee, if any, has overall responsibility for the firm's pricing policy, determining pricing sources, pricing practices, including any reviews and re-pricing practices to help ensure fair, accurate and current valuations.

Procedure

Camelot Portfolios, LLC has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC utilizes, to the fullest extent possible, recognized and independent pricing services and/or qualified custodians for timely valuation information for advisory client securities and portfolios.
- Whenever valuation information for specific illiquid, foreign, derivative, private or other investments is not available through pricing services or custodians, Camelot Portfolios, LLC's designated officer, trader(s) or portfolio manager(s) will obtain and document price information from at least one independent source, whether it be a broker-dealer, bank, pricing service or other source.
- Any securities without market valuation information are to be reviewed and priced by the Stephen Hanley or pricing committee in good faith to reflect the security's fair and current market value, and supporting documentation maintained.
- Stephen Hanley will arrange for periodic and frequent reviews of valuation information from whatever source to promptly identify any incorrect, stale or mispriced securities.
- Any errors in pricing or valuations are to be resolved as promptly as possible, preferably upon a same day

or next day basis, with repricing information obtained, reviewed and approved by the Stephen Hanley or the firm's pricing committee.

- A summary of the firm's pricing practices should be included in the firm's investment management agreement.

Camelot Portfolios, LLC
IA Policies and Procedures Manual
3/9/2012 to Current

Wrap Fee Adviser

Policy

Camelot Portfolios, LLC does not act as an adviser or subadviser in any wrap fee program.

Background

A wrap fee program is defined as any program under which any client is charged a specified fee or fees not based directly upon transactions in a client's account for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions.

Wrap fee programs also typically include custody services as part of the all-inclusive services in the program.

Responsibility

Stephen Hanley has the responsibility for insuring the firm's policy is followed and that Camelot Portfolios, LLC does not participate as an adviser/subadviser in any wrap fee programs unless appropriately approved and all regulatory requirements are met.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's designated officer monitors the firm's businesses and advisory services, including periodic reviews of the firm's Form ADV and disclosures.
- Camelot Portfolios, LLC's designated officer also monitors the firm's advisory services to ensure that participation in any wrap fee programs as an adviser/subadviser would only be allowed after appropriate management approvals, disclosures and meeting regulatory requirements.

Camelot Portfolios, LLC
IA Policies and Procedures Manual
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Wrap Fee Sponsor

Policy

Camelot Portfolios, LLC, as a matter of policy and practice, does not sponsor any wrap fee program, defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

Background

A wrap fee program is defined as any program under which any client is charged a specified fee or fees not based directly upon transactions in a client's account for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions.

Wrap fee programs also typically include custody services as part of the all-inclusive services in the program.

Responsibility

Stephen Hanley has the responsibility for the implementation and monitoring of our wrap fee policy that the firm prohibits sponsoring any wrap fee programs unless appropriately approved and all regulatory requirements are met.

Procedure

Camelot Portfolios, LLC has adopted various procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Camelot Portfolios, LLC's designated officer monitors the firm's businesses and advisory services, including periodic reviews of the firm's Form ADV and disclosures to prohibit any arrangements for sponsoring any wrap fee program.
- Camelot Portfolios, LLC's designated officer also monitors the firm's advisory services to ensure that any arrangements to sponsor any wrap fee program would only be allowed after appropriate management approvals, disclosures and meeting regulatory requirements.