

**Form ADV, Part 2A  
Disclosure Brochure**

**of**

**Riverbend Capital Advisors, LLC**

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This brochure provides information about the qualifications and business practices of Riverbend Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 948-5100 or [tom@riverbendcapitaladvisors.com](mailto:tom@riverbendcapitaladvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Riverbend Capital Advisors, LLC also is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

**Item 2. Summary of Material Changes**

**Item 4. Advisory Business**

Riverbend Capital Advisors, LLC's Assets under management ("AUM") has been revised to reflect its February month-end AUM of \$78,456,045.00.

### **Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

##### ***Firm Description and Principal Owners***

Riverbend Capital Advisors, LLC (the “Advisor,” “we” or “us”) has been operating as an investment advisory firm since March 2011. The Advisor became registered as an investment advisor with the Securities and Exchange Commission on April 8, 2011. The principal owners of the Adviser are Thomas R. Hession, Jr. and JOB Investments, LLC. The Advisor’s trading principal is Thomas R. Hession, Jr. who has more than 16 years of experience providing investment advisory services to clients.

##### ***Types of Advisory Services***

We provide continuous investment supervisory services for individuals, trusts, estates, charitable organizations and corporations, limited liability companies and other business entities. We do not provide financial planning or other consulting services.

In accordance with the investment objectives of the client, we offer our clients investment management services relating to the purchase and sale of municipal bonds and fixed-income securities. We also may offer advice with respect to the following types of investments: corporate debt securities, commercial paper, mutual funds and U.S. government securities. In certain circumstances, the Adviser may also provide advice with respect to investments (regardless of type) held in a client’s portfolio at the beginning of the advisory relationship.

##### ***Tailoring of Advisory Services to Client Needs and Discretionary Authority***

The Adviser’s clients are advised to promptly notify the Adviser if there are any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon the Adviser’s management services.

The Advisor exercises discretionary authority over its client accounts. For clients who elect to give the Advisor discretion over their investment advisory accounts, the Advisor will make all investment decisions, including determinations with respect to purchasing, holding or selling individual securities, as well as investment decisions regarding portfolio asset allocation and rebalancing, and otherwise have full discretionary authority over the client’s investment portfolio pursuant to a written investment advisory agreement between the client and the Advisor.

##### ***Wrap Fee Programs***

The Advisor does not offer any wrap fee programs.

##### ***Assets Under Management***

Adviser provides investment advice to clients on a discretionary basis. As of February 28, 2012, the Adviser’s total assets under management are as follows:

Discretionary Clients = \$78,456,045.00

Non-Discretionary Clients = \$0

Total = \$0

## **Item 5. Fees and Compensation**

### ***Generally***

In the event the client determines to engage the Adviser to provide investment management services, the Adviser shall do so on a fee-only basis. If engaged, the Adviser will charge an annual fee based upon a percentage of the market value of the client's assets being managed by the Adviser. The Adviser's annual fee shall be pro-rated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the quarter. The annual fee will vary depending upon the market value of the assets under management as follows:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>ANNUAL FEE</u></b>
Up to \$5,000,000 .....	0.450%
Next \$5,000,000.....	0.375%
Next \$15,000,000.....	0.250%
Above \$25,000,000.....	0.200%

The Adviser generally imposes a minimum portfolio value for its investment management services. The Adviser also generally imposes a minimum annual fee for its investment management services. These minimums are described in Item 7 below. The Adviser, in its sole discretion, may negotiate or waive its account minimum or charge a lesser annual fee.

Clients generally have the option to purchase investment products that we recommend through other brokers or agent that are not affiliated with us.

### ***Fee Payments/Deductions***

Fees accrue daily and are payable quarterly, in arrears. When services commence on anything but the first day of a billing period, the advisory fee for the opening period shall be prorated by the number of days of service divided by total period days.

Clients typically authorize us to deduct advisory fees directly from their custodial account. If directed by a client, and approved by the Advisor, the client may elect to be invoiced for advisory services. Such invoices will be provided to the client by the investment advisory representative each billing period. All checks for advisory services should be made out to "Riverbend Capital Advisors, LLC." and forwarded to:

Riverbend Capital Advisors, LLC  
One North Franklin Street, Suite 3110

The investment advisory agreement between the Adviser and the client will continue in effect until terminated by either party pursuant to the terms of the advisory agreement. The Adviser's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

### *Other Fees*

The Adviser's fees do not include custodial fees or brokerage commissions or other transaction costs, if any, charged by client's custodian and broker. Further, mutual funds and exchange-traded funds in which a client's assets may be invested charge advisory fees and other fees and expenses, as described in each fund's prospectus, which are in addition to the fees and expenses noted above. The fees will generally include a management fee, shareholder servicing fee, other fund expenses and sometimes a distribution fee. A mutual fund may also have sales charges that apply in various circumstances; therefore, you may directly and indirectly pay two levels of investment management fees: one level of fees directly to our firm and a second level of fees indirectly to the mutual funds in which your assets are invested. You could reduce your total investment management costs by investing directly in mutual funds yourself without using an investment adviser's services. Moreover, the Adviser and its representatives may receive Rule 12b-1 fees directly from mutual fund sponsors with respect to mutual funds held in client accounts. In addition, certain exchange-traded funds pay advisory fees to their investment advisors, which reduces the net asset value of the fund. Some exchange-traded funds are organized as unit investment trusts and do not have an investment advisor. However, all exchange-traded funds do incur expenses related to their management and administration that are analogous to an investment advisor's management fee. These expenses affect the value of the investment.

### *Compensation from Third-parties Involving the Sale of Securities*

The Adviser does not receive any portion of these commissions, fees and costs.

### **Item 6. Performance Based Fees and Side-by-Side Management**

The Adviser does not charge any performance based fees (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7. Types of Clients and Minimum Account Requirements**

#### *Types of Clients*

The Adviser generally provides investment advice to high net worth individuals, trusts, estates, corporations and/or business entities.

#### *Minimum Account Requirements*

As a condition for starting and maintaining an advisory relationship, the Adviser generally imposes a minimum portfolio size of \$1,000,000. In the alternative, the Adviser may impose a minimum annual fee of \$4,000, which may have the effect of making the Adviser's services impractical for clients, particularly those with portfolios less than \$900,000 under the Adviser's management. All minimum account size and minimum fee amounts may be waived or lowered by Adviser in its discretion. The Adviser, in its sole discretion, may accept clients with smaller portfolios or charge a lesser minimum fee based upon certain criteria developed by the Advisor, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and *pro bono* activities, among other things. Further, the Adviser may accept clients with less than the minimum portfolio size if, in the discretion of the Adviser, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The Adviser may aggregate the funds of family members to meet the minimum portfolio size.

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

The Adviser's security analysis method is generally of a fundamental and technical nature.

##### ***Fundamental Analysis***

Fundamental analysis is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study factors that can affect the security's value, including macroeconomic factors (such as the economy and interest rates) and company-specific factors (such as financial condition and management). When using fundamental analysis, we generally rely on data that we generally consider reliable but we cannot guarantee nor have we verified its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in fundamental analysis.

##### ***Technical Analysis***

Technical analysis is a method for attempting to forecast the direction of prices through the study of past market data. When using technical analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth, which may play a part in determining the value of an investment.

##### ***Long-term and Short-term Strategies***

The investment strategies we typically use to implement investment advice given to clients include long-term purchases (securities held for at least a year) and, less often, short-term purchases (securities sold within a year). While not part of the Adviser's overall strategy, the

Adviser may buy or sell securities within thirty (30) days if deemed to be in the best interest of the client.

A long-term purchase strategy generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market that a client is invested in or a particular investment will go down over time even if the overall security markets advance. Purchasing investments on a long-term basis may also involve an opportunity cost, that is, such investment may have the effect of “locking-up” assets that could be better utilized in the short-term for other investments.

A short-term purchase strategy generally assumes that an adviser can predict how financial markets will perform in the short-term, which may be very difficult and not possible. There are many factors that can effect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, among other things), but may have a smaller impact over longer periods of times.

### *Types of Securities Traded*

We offer our clients investment management services relating to the purchase and sale of municipal bonds and fixed-income securities. We also may offer advice with respect to corporate bonds, commercial paper, mutual funds and U.S. government securities. Below are general descriptions of the foregoing instruments:

- **Municipal Bonds.** Municipal securities—often called “muni bonds”—are bonds issued by states, cities, counties and other governmental entities to raise money. There are two primary types of muni bonds: “general obligation bonds,” which are backed by the “full faith and credit” of the government entity issuing the bonds, and “revenue bonds,” which are backed solely by fees or other revenue generated or collected by the government entity.
- **Fixed-income Securities.** A fixed-income security refers to a debt security that obligates the borrower/issuer to make payments on a fixed schedule, even if the amount of the payments may be variable.
- **Corporate Bonds.** A corporate bond is a debt security issued by a corporation.
- **Commercial Paper.** Commercial paper is a debt instrument issued by corporations to satisfy short-term financing objectives.
- **Mutual Funds.** A mutual fund is an investment company that pools money from investors and invests the money based on specific investment objectives.
- **Exchange-traded Funds.** ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs (also called “short” funds) seek to deliver the opposite of the performance of the index or benchmark they track. Leveraged inverse ETFs (also known as “ultra short” funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index.



## *Summary of Risks of Loss*

Investing in securities involves a substantial risk of loss that clients should be prepared to bear. Below are specific risks of investing:

- **Market Risk.** The securities markets are speculative, prices are volatile and market movements are difficult to predict. The prices of securities held by an investor may rapidly and unpredictably decline in response to certain events taking place around the world, including conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and interest rate fluctuations. Investors should have a long-term perspective and be able to tolerate declines in value.
- **Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates in the U.S. or the world may reduce (or increase) the market value of a bond. Generally, when interest rates fall, bond prices rise, and when interest rates rise, bond prices fall. If the Advisor holds a bond and interest rates rise, the value of the bond on the open market, with few exceptions, will go down.
- **Management Risk.** The Advisor's trading strategy is speculative. Our investment approach may fail to produce the intended results and we cannot guarantee that we will achieve a client's investment objective. The Advisor's risk management approach seeks to mitigate, but not remove, risks, and there may be certain risks that the Advisor determines not to, or cannot, hedge or protect against. Accordingly, the Advisor's activities could result in substantial losses under certain circumstances.
- **Competition Risk.** The Advisor engages in investment and trading activities that are highly competitive with other investment and trading programs. The Advisor competes for trades with investment banks, broker/dealers, commercial banks, insurance companies, and other financial institutions; as well as mutual portfolios, pension portfolios and other financial instruments; all of which may have investment objectives similar to the Advisor and substantially greater resources than the Advisor.
- **Electronic Trading Risk.** The Advisor will trade on electronic trading platforms and use electronic order routing systems. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, security procedures, opening and closing procedures, error trade policies and trading limitations or requirements, among other items. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. There is no guarantee that response times will be similar. Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure. In the event of system or component failure, it is possible that for a certain time period, it might not be possible to enter new orders, execute existing orders or modify or cancel orders that were previously entered. Exchanges offering an electronic trading or order routing system and listing the relevant securities may have adopted rules to limit their liability, the liability of brokers and software and communication system vendors and the amount that may be collected as damages for

system failures and delays. These limitations of liability provisions vary among the exchanges.

- **Regulatory Risk.** The regulation of securities and financial instruments in the United States is rapidly changing and is subject to ongoing substantial change by government and judicial action. In addition, various governments have expressed concern regarding the disruptive effects of speculative trading in the securities' markets and the need to regulate such markets in a comprehensive and prescriptive fashion. There is a possibility of future regulatory changes altering, perhaps to a material extent, the nature of an investment in the Advisor or the ability of the trading advisors to continue to implement their respective investment strategies. The effect of any future regulatory change on the Advisor's strategies is impossible to predict, but could be substantial and adverse.
- **Lack of Diversification Risk.** The Advisor invests in municipal securities and, to a limited extent, certain fixed-income securities. The Advisor's investment strategy thus does not offer diversification among securities, assets or types of investments generally.
- **Dependence on Key Personnel.** The Advisor is dependent on the services of its trading principal. The loss of the Advisor's trading principal's services would impact the Advisor and its strategies in a significant and negative manner.
- **Risks Involving Municipal Securities.** Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Investments in municipal securities may be related in such a way that political, economic or business developments affecting one obligation would affect the others. Tax authorities are paying increased attention as to whether interest on municipal obligations is tax exempt, and we cannot assure you that a tax authority will not successfully challenge the exemption of a bond you hold. The ongoing issues facing the national economy are negatively impacting the economic performance of many issuers of municipal securities, and may increase the likelihood that issuers of securities in which you may invest may be unable to meet their obligations.
- **Risks Involving Fixed Income Securities.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by the Fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Risks Involving Mutual Funds.** Investing in mutual funds involves risk. The primary risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.
- **Risks Involving Exchange-traded Funds.** Investing in exchange-traded funds involves risk. Exchange-traded funds, depending on their underlying portfolio size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the exchange-traded funds. Certain exchange-traded funds may employ leverage,

which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral. Further, the use of leverage (*i.e.*, employ the use of margin) generally results in additional interest costs to the exchange-traded funds. Certain exchange-traded funds are highly leveraged and therefore have additional volatility and liquidity risk. Most leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time—over weeks or months or years—can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets. Volatility and liquidity can severely and negatively impact the price of the ETF’s underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

*Investing in securities involves a substantial risk of loss that clients should be prepared to bear.* Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment.

#### **Item 9. Disciplinary Information**

Neither Adviser, nor any of its management persons, have any material legal or disciplinary event to report.

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

None.

#### **Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading**

The Adviser and persons associated with the Adviser, which we refer to as “Associated Persons,” are permitted to buy or sell securities that the Advisor recommends to clients, consistent with the Adviser’s policies and procedures.

The Adviser has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Advisers Act of 1940, the Advisor’s Code of Ethics includes written policies reasonably designed to prevent the unlawful use of material non-public information by the Adviser or any of its associated persons. The Code of Ethics also requires that certain of the Adviser’s personnel—“access persons”—report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. We define “access persons” to include all officers, partners and directors of the Advisor, as well as all supervised persons who have access to nonpublic information regarding any clients’ purchase or sale of securities and who are involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. In addition, each person subject to the Code of Ethics is required to report all violations of which such person becomes aware to the Adviser’s Chief Compliance Officer.

Unless specifically permitted in the Adviser's Code of Ethics, no access person may effect for themselves or for their immediate family (*i.e.*, spouse, minor children, and adults living in the same household as the access person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Adviser's clients.

When the Adviser is purchasing or considering the purchase of any security on behalf of a client, no access person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Adviser is selling or considering the sale of any security on behalf of a client, no access person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds

The Adviser has also adopted an insider trading policy that prohibits its employees from trading on material, non-public information. The Adviser will provide a copy of its Code of Ethics and insider trading policy, free of charge, upon the written or oral request of any current or prospective client.

## **Item 12. Brokerage Practices**

### ***Recommendation and Selection of Custodian/Broker***

The Adviser typically recommends that clients use Charles Schwab & Co. or Fidelity Investments as their custodian. In recommending a custodian, the Advisor does not receive any form of compensation. However the selection of a custodial firm is at the client's discretion. Transactions may be cleared through broker-dealers other than the client's custodian with whom the Adviser has entered into agreements for prime brokerage clearing services.

Clients are permitted to direct brokerage to the broker-dealer of their choice, provided the transaction costs and reporting complies with the requirements of the Advisor. If the client requests the Adviser to arrange for the execution of securities brokerage transactions for the client's account, the Adviser shall direct such transactions through broker-dealers that the Adviser reasonably believes will provide best execution (as described below). The Adviser shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution. Factors that the Adviser considers in recommending a broker-dealer to clients include the broker-dealer's financial strength, reputation, execution, pricing, research and service. In recommending a broker-dealer, the Advisor does not receive any form of compensation.

### ***Best Execution***

The commissions paid by the Adviser's clients shall comply with the Adviser's duty to obtain "best execution." However, "best execution" does not always mean the best price and a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Adviser determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. While the Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

### *Soft Dollar Benefits*

The Adviser does not enter into so-called "soft dollar arrangements," in which an adviser directs client commissions to a broker-dealer that provides research and brokerage services to the adviser.

Schwab and Fidelity do, however, offer an institutional trading platform to advisers. The Adviser participates in institutional advisory programs offered by Schwab and Fidelity and, as a result, receives certain benefits such as access to its institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to the advisor. Additionally, the Adviser may receive the following products, services, or economic benefits: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the custodian's institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products and services may be used to service all or some substantial number of the Adviser's accounts, including accounts not maintained at these custodians. The Adviser may also receive from Charles Schwab & Co. and Fidelity Investments, without cost to the Adviser, electronic access to client account information which allows the Adviser to better monitor client accounts maintained at Charles Schwab & Co and Fidelity Investments. The Adviser may receive this access without cost because the Adviser renders investment management services to clients that maintain assets at Charles Schwab & Co. and Fidelity Investments. This access benefits the Adviser, but not its clients.

### *Directed Brokerage*

As noted above, the client may direct the Adviser in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Adviser will not seek better

execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by the Adviser (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Adviser may decline a client’s request to direct brokerage if, in the Adviser’s sole discretion, such directed brokerage arrangements would result in additional operational burdens or costs.

### *Aggregations – Generally*

To the extent that the Advisor manages accounts with similar investment objectives, the Advisor may aggregate orders to purchase or sell securities for such accounts. In such event, allocation of the securities purchased or sold, as well as expenses incurred in connection with such transactions, is made by the Advisor in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. The Advisor will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

### *Aggregations – Orders and Trades*

Transactions for each client generally will be effected independently, unless the Adviser decides to purchase or sell the same securities for several clients at approximately the same time. The Adviser may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Adviser’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Adviser’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Adviser determines to aggregate client orders for the purchase or sale of securities, including securities in which the Adviser’s employees may invest, the Adviser shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission.

If the Adviser determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential

execution would result in a *de minimis* allocation in one or more accounts, the Adviser may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Item 13. Review of Accounts**

For those clients to whom the Adviser provides investment management services, the Adviser monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of the Adviser's "investment adviser representatives." All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Adviser and to keep the Adviser informed of any changes thereto. The Adviser will contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial condition and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the Adviser provides investment advisory services will also receive a report from the Adviser that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as individually agreed upon.

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

#### ***Client Referrals***

The Adviser may compensate certain persons, called "solicitors," for client referrals. If a client is introduced to the Adviser by either an unaffiliated or an affiliated solicitor, the Adviser may pay the solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act of 1940 and any applicable state securities law requirements. In all solicitation agreements, each solicitor must represent that they have not been: (a) subject to an order of the Securities and Exchange Commission issued under Section 203(f) of the Investment Advisers Act of 1940; (b) convicted within the last ten years of any felony or misdemeanor involving conduct described in Section 203 (e)(2)(A)-(D) of the Investment Advisers Act of 1940; (c) found by the SEC to have engaged, or convicted of engaging, in any of the conduct specified in paragraphs (1), (5) or (6) of Section 203(e) of the Act; and (d) subject to an order, judgment or decree described in Section 203(e)(4) of the Investment Advisers Act of 1940. Each solicitor must agree to advise the Adviser immediately of any change in such representations.

Any such referral fee shall be paid solely from the Adviser's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Adviser by an unaffiliated solicitor, the solicitor shall provide the client with a copy of the Adviser's written disclosure statement which meets the requirements of Rule 204-3 of the

Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including the compensation arrangements.

### ***Other Fees***

The Adviser may receive certain economic benefits from custodians/brokers as described in Item 12 above.

The Advisor may pay service fees to broker/dealers and other third party vendors that introduce clients to the Advisor and assist the Advisor in maintaining the client's account by keeping records and performing other services, which the Advisor would otherwise have to perform itself.

Broker-dealers and other financial intermediaries may charge the Advisor substantial fees for providing support to clients. These charges may include (i) transaction fees; (ii) distribution and service fees from 12b-1 distribution plans; and (iii) record-keeping fees for providing record-keeping services to investors who invest through dealer-controlled omnibus accounts. The Advisor does not share in any such fees.

### **Item 15. Custody**

Except to the extent that the Advisor deduct its fees directly from the client's custodial account, in which case the Advisor is deemed to have custody of certain client funds and securities, the Adviser will not have custody of client accounts. The Adviser will utilize the services of unaffiliated custodians to maintain custody of clients' accounts.

On a quarterly or more frequent basis, each client will receive account statements directly from the custodian where their securities are held. The client is encouraged to carefully review these statements to verify the accuracy of the Adviser's fee calculation, as the custodian will not do so.

### **Item 16. Investment Discretion**

The Adviser provides investment advice on a discretionary basis to certain clients. In such cases, the client and Adviser execute an Investment Advisory Agreement wherein the client grants to the Adviser a limited power of attorney to act on the client's behalf for the limited purpose of buying, selling and trading securities and all actions necessary or incident to such activities.

Each client may impose written restrictions or limitations on the Adviser's discretionary trading authority or investment management services. Clients are advised to notify the Adviser promptly if, and shall be contacted by the Adviser at least annually to determine whether, there are any changes to the client's financial circumstances or investment objectives or if there are any changes in the restrictions that the client desires to impose upon the Advisor.

### **Item 17. Voting Client Securities**



It is Adviser's policy not to exercise proxy voting authority over client securities. The Adviser does not have authority to vote proxies for its clients on any matters regardless of whether the Adviser's investment authority is discretionary or non-discretionary. Each client retains sole and absolute authority and responsibility to vote proxies T their own expense with respect to investments owned by the client. Clients will receive their proxies or other solicitations directly from their custodian. The Advisor will not entertain questions about specific solicitations.

**Item 18. Financial Information**

We typically have discretion over client's accounts as set forth in the client's advisory agreement. We are capitalized in compliance with applicable regulations and do not foresee any financial conditions that are reasonably likely to impair our fulfillment of our contractual commitments to our clients.