

# **Altrius Institutional Asset Management, LLC**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Altrius Institutional Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 252-638-7598. 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 Altrius Institutional Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Altrius Institutional Asset Management, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Altrius Institutional Asset Management, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## Item 4 Advisory Business

Altrius Institutional Asset Management, LLC is an SEC-registered investment adviser based in New Bern, North Carolina. We provide investment advisory services to a variety of institutional investors. We have been providing advisory services since 2011. James M. Russo is our principal owner.

As used in this brochure, the words "we", "our" and "us" refer to Altrius Institutional Asset Management, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. Our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Portfolio Management Services

We provide discretionary investment management services in accordance with your individual investment objectives. In the event you decide to engage our firm to provide investment management services (which may include certain financial planning and/or consulting services), you will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the fees to be paid.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Account supervision is guided by your stated objectives (balanced, conservative balanced, and equity tilted balanced). We will assist you with identifying your investment objectives by assessing your risk tolerance based upon your age, income, need for cash flows, investment goals, and emotional tolerance for volatility. Strategies are then developed and implemented through an optimal combination of investments. When constructing portfolios we will determine how to allocate funds across different assets classes and securities.

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change or if you wish to impose or change any reasonable restrictions on our management of your account(s).

You may terminate the portfolio management agreement by submitting written notice to our firm, which is effective upon our receipt. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

If you receive an invoice from our firm, we encourage you to reconcile our invoice with the statement you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement, please contact us at 252-638-7598 immediately.

### Third Party Asset Management/Unified Management Accounts

We provide separate account money management services on Third Party Asset Management Platforms ("TAMP") and Unified Managed Account Programs ("UMA") such as Lockwood and Envestnet, among others. Under these arrangements, unaffiliated brokers and wealth managers will place assets with us for management services.

We are compensated by either sharing in a portion of the fee you pay the referring advisers or we will charge you a separate fee for our management services that is in addition to the fee you pay the referring advisers. The fees you pay to the referring advisers are established and payable in accordance with the referring adviser's disclosure brochure and/or agreement for services. You should review these documents carefully, and take into consideration the referring adviser's compensation and our compensation to determine the total amount of fees you will pay.

### **Mutual Fund Advisory Services**

We serve as the investment adviser/investment manager to our affiliated investment company, Altrius Small Cap Value Fund ("Fund"). Where appropriate, we will exercise our discretionary authority and without further approval from you, we will invest a percentage of your assets in the Fund. This creates a conflict of interest because we will receive compensation as your investment adviser and as the investment adviser to the Fund. Except as otherwise required by law for ERISA assets, we do not offset any compensation we receive against fees and expenses you may otherwise pay to any of our affiliates, including the Fund. The fees we charge are separate and in addition to any fees and expenses charged by the Fund. You should refer to the prospectus for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. Refer to the *Investment Discretion* section below for additional disclosures on our discretionary authority to manage your investment account.

Securities held in separate accounts may also be the same securities as those purchased by the Fund.

### **Types of Investments**

Accounts are normally managed using individual common stocks and bonds, exchange traded funds, structured notes, and real estate investment trusts on an asset allocation basis. Additionally, we may recommend other types of investments since each client has different needs and different tolerances for risk. We may also advise you on any type of investment held in your portfolio at the inception of our advisory relationship, or on specific types of investments at your request.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of December 31, 2011, we manage \$12,490,762 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Portfolio Management Services**

Our fee for portfolio management services is based on a percentage of your assets we manage and is based on the following fee schedules:

**Equities:**            **\$0 - \$25 Million = 0.55% (55 basis points)**  
                             **Over \$25 Million = 0.50% (50 basis points)**

**Balanced:**        **0.50% (50 basis points)**

**Fixed Income:** **\$0 - \$25 Million = 0.35% (35 basis points)**  
                             **Over \$25 Million = 0.30% (30 basis points)**

In special circumstances, and in our sole discretion, we may negotiate a lesser management fee based upon certain criteria (i.e., the amount of work involved, amount of assets placed under our management, attention required in managing the account, etc.).

Our portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. For the initial quarter of investment management services, the first quarter's fees will be calculated on a pro rata basis, which means the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

You may make additions to and withdrawals from your account at any time, subject to our right to terminate your account. You may withdraw account assets on notice to our firm, and subject to the usual and customary securities settlement procedures. However, we design our portfolios as long-term investments and asset withdrawals may impair the achievement of your specific investment objectives.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

Investors and prospective investors in the Fund should be aware that mutual funds assess a management fee to their investors and, in certain cases, charge administrative, servicing and/or other fees, including performance fees. Any fees paid to the Fund are in addition to the fees that we charge for advisory services. Investors and prospective investors should refer to the Funds' prospectus for detailed information relating to all fees and costs associated with investing in the Fund.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds (ETFs). The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

We may trade client accounts on margin. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved. You are encouraged to contact our firm at the telephone number on the cover page of this brochure to discuss any questions you may have regarding your account statement.

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

We do not provide any services for performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the Advisory Business section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to investment companies, municipalities, endowments, foundations, pension and profit sharing plans, and other business entities. In general, we require a minimum of \$500,000 in investible liquid assets to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

The use of margin transactions is not a fundamental part of our overall investment strategy, but we may use this strategy upon client requests.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments



will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for your account will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the Advisory Business section, client accounts are normally managed using individual common stocks and bonds, exchange traded funds, and structured notes on an asset allocation basis. In market segments and asset classes where direct bond and stock investments are not justified based on market dynamics or other criteria, we selectively employ ETFs. With a value perspective, and an emphasis on dividends, our international and U.S. equity individual security exposure is typically large cap in nature, with the use of mutual fund or ETF solutions primarily employed for a limited amount of Small and Mid cap exposure.

Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring risk of equity securities (also known as "equities" or "stock"). In broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds (ETFs) are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.



A structured note is a type of debt security that also includes a derivative component. The derivative instrument is based on movement of an underlying index. For example, a structured note issued by a corporation may pay interest to note holders based on rise and fall of oil prices. This gives investors the opportunity to both earn interest and profit from the change in price of a commodity at the same time. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always FDIC insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

## **Item 9 Disciplinary Information**

Altrius Institutional Asset Management, LLC has been registered and providing investment advisory services since 2011 and James M. Russo our Managing Member has been engaged in the financial services industry since 1997. Neither our firm nor any of our Associated Persons has any disciplinary information.

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

We are required to disclose any relationship or arrangement that is material to our advisory business, our management, or to our clients with certain related persons. Related persons are all of our officers, partners, directors (or any person performing similar functions); all persons or companies under common control with our firm; and all of our current employees.

Altrius Institutional Asset Management, LLC ("AIAM") is under common control with our affiliated SEC registered investment adviser, Altrius Capital Management, Inc. ("ACM"). Certain related persons of AIAM also serve in the same or similar capacity for ACM. The compensation of these related persons may be based, in part, upon the profitability of the other affiliated entities.

We act as the investment adviser to our affiliated investment company, Altrius Small Cap Value Fund ("Fund"). Certain related persons of our firm, including Jim Russo our principal owner, also serve in the same or a similar capacity for the Fund. The compensation of these related persons may be based, in part, upon the profitability of the other affiliated entities. Refer to the Advisory Business section above for additional disclosures on this topic.

We may use, suggest or recommend the services of our affiliated entities as listed above. Such arrangements may involve sharing or joint compensation, or separate compensation, subject to proper disclosures and the requirements of applicable law.

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

### **Description of Code of Ethics**

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. We adhere strictly to these guidelines. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or prospective clients may contact us at 252-638-7598 to request a copy of our Code of Ethics.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor our Associated Persons shall have priority over your account in the purchase or sale of securities.

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.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of Pershing Advisor Solutions, LLC ("PAS"), a division of Pershing, LLC, subsidiary of The Bank of New York Mellon Corporation, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. PAS offers independent investment advisers services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information. We believe that PAS provides quality execution services for you at competitive prices.

As a result of our relationship with PAS, we may receive certain benefits that include financial publications, information about particular companies and industries, and computer software, e.g. customized statements and reporting features. These products and services provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities.

In suggesting a broker dealer, we will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. However, it may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through such broker as the firm recommends.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. We do not obligate ourselves to seek the lowest transaction charges in all cases except to the extent that it contributes to the overall goal of obtaining the best results for your account. While we endeavor at all times to put your interest first as part of our fiduciary duty, you should be aware that the receipt of additional benefits themselves creates a potential conflict of interest.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

## **Block Trades**

Transactions for each client may be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **Item 13 Review of Accounts**

We monitor client portfolios as part of an ongoing process while regular account reviews are conducted at least annually. You are encouraged to discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in this information. Additional reviews may be conducted at your request, or based on various circumstances, including, but not limited to, contributions and withdrawals, year-end tax planning, market moving events, changes in your financial situation, and/or, changes in your risk/return objectives.

James M. Russo, President, CEO, and Chief Compliance Officer, or another investment adviser representative of our firm will conduct all reviews.

You will receive transaction confirmation notices and regular summary account statements, at least quarterly, directly from your account custodian. We will also provide you with reports, at least quarterly, that generally include relevant account and/or market-related information such as an inventory and appraisal of account holdings, and investment performance. We may provide additional reports at your request. Please refer to the Brokerage Practices section above for additional information on this topic.

We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, please call our main office number located on the cover page of this brochure.

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

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Pershing Advisory Solutions, LLC.

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

## Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

To the extent you receive invoices from our firm y you should compare our invoices with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact our firm at 252-638-7598.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security.

## Item 17 Voting Client Securities

Generally, we will vote proxies on behalf of client accounts. Where we vote proxies, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue. Unless we receive specific instructions from you, we will not base votes on social considerations. Moreover, except in the case of a conflict of interest as described below, we do not accept direction from you on voting a particular proxy.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

In limited circumstance where we do not vote proxies on behalf of a client account, the client's exclusive responsibility to vote proxies will be clearly stated in the agreement for services.

## **Item 18 Financial Information**

We are not required to provide a balance sheet or other financial information to our clients, because we do not require the prepayment of fees in excess of \$1,200 and six months or more in advance; we do not take custody of client funds or securities; and, we do not have a financial condition that is reasonably likely to impair our ability to meet our commitments to you. Moreover, we have never been the subject of a bankruptcy petition.

## **Item 19 Requirements for State Registered Advisers**

Our firm is a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

Altrius Institutional Asset Management, LLC considers the preservation of your privacy a priority. In order to provide you with individualized service, we collect certain nonpublic personal information about you from information you provide on applications and other forms (such as your address and social security number), and information about your transactions with us (such as purchases, sales and account balances). We may also collect such information through your account inquiries by mail or telephone.

We do not disclose any nonpublic personal information about you to anyone, except as permitted by law. Specifically, so that we may continue to tailor our products and services to meet your investing needs and to effect transactions you request or authorize, we may disclose the information we collect, as described above, to companies that perform administrative or marketing services on our behalf, including financial service providers such as custodians, and administrative and marketing service providers such as printers and mailers. These companies will use this information only for the services for which we hired them and are not permitted to use or share this information for any other purpose.

A Securities and Exchange Commission rule requires that we provide to those issuers whose stock we are holding for your accounts, upon request, your name, address, and the number of shares held, unless you object to such disclosure. We will not disclose this information to issuers unless you advise us in writing that you wish to have this information disclosed. To do so, please send a letter to Altrius Capital Management, Attention: Compliance Department, 1323 Commerce Drive, New Bern, NC 28562. Since it is not possible to disclose this information to some issuers and not to others, if you choose to have this information disclosed it will be available to all issuers.

In order to further protect you, we also maintain strict internal security measures. We restrict access to your personal and account information to those employees who need to know that information to service your account. We also maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

If you have any questions regarding our policy or need additional copies of this notice please contact our Compliance Department at 252-638-7598.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.