

# Critical Math Advisors, LLC

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This brochure provides information about the qualifications and business practices of Critical Math Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (609) 631-7400 or [dbilcik@unusualfund.com](mailto:dbilcik@unusualfund.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 Critical Math Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Critical Math Advisors, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes made to Critical Math Advisors, LLC's disclosure statement since last year's Annual Amendment filing on March 27, 2012.

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

- A. The Registrant is a limited liability company formed on November 22, 2005 in the State of Delaware. The Registrant became registered as an investment adviser firm in January 2006. Bonnie Arno is the principal owner of the Registrant. Lewis Arno is the Registrant's Managing Member and Derek Bilcik is the Registrant's Chief Compliance Officer.
- B. As discussed below, the Registrant offers its clients (individuals, registered investment companies, pensions and profit sharing plans, trusts, estates or charitable organizations, corporations, etc.) investment advisory services and non-supervisory investment advisory services. The Registrant does not provide financial planning services.

##### **INVESTMENT ADVISORY SERVICES:**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management.

Registrant provides discretionary investment advisory services to registered investment companies—Adaptive Allocation Fund, formerly known as the Critical Math Fund, and Adaptive Allocation Portfolio, formerly known as the Critical Math Portfolio, (the "Funds"). The Funds follow a tactical asset allocation trading strategy that involves above average portfolio turnover, which could have a negative impact on net after-tax returns. Registrant uses proprietary financial statement analysis and trend following analysis models to determine the types and amounts of securities to be traded for the Funds' portfolios.

The Funds' investment objectives and strategies are discussed more fully in the Funds' Prospectus, which is provided to all Funds' shareholders.

##### **NON-SUPERVISORY INVESTMENT ADVISORY SERVICES**

Registrant also provides non-supervisory investment advisory services to individuals, which may consist of investing all or a portion of the client's assets in the Funds. Registrant's fees are pro-rated and paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. **Please Note:** The Registrant does not charge individual clients a direct investment advisory fee on assets allocated to its affiliated Funds. However, clients incur investment advisory fees at the Funds' level.

## **MISCELLANEOUS**

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

**Non-Investment Consulting/Implementation Services.** If requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may also utilize leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Sub-Advisory Arrangements: Chariot Advisors, LLC.** The Registrant has been engaged as a sub-advisor for the purpose of assisting Chariot Advisors, LLC ("*Chariot*") with the management of its client accounts. As a sub-advisor, the Registrant shall have discretionary authority over the day-to-day management of the assets that are allocated to it by *Chariot*. The Registrant shall continue in such capacity until such arrangement is terminated or modified by *Chariot*. The Registrant may allocate all or a portion of the assets to one or both of its affiliated mutual funds, Adaptive Allocation Fund and Adaptive Allocation Portfolio in its role as the mutual fund adviser. For more information about the Funds, please see Item 8.C below.

**Wholesaler Relationship: Chariot Advisors, LLC.** The Registrant has engaged *Chariot* as a Wholesaler for the purpose of servicing and marketing the Adaptive Allocation Fund, and the Adaptive Allocation Portfolio, both of which are affiliated Funds. For more information about the Funds, please see Item 8.C below.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant *may* maintain cash positions for

defensive purposes. All cash positions (money markets, etc) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. **The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**Authorized Signatory/Trustee.** Under special circumstances, Registrant and/or the Registrant's Principals may be appointed as an authorized signatory and/or trustee for a limited number of advisory client accounts.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with the execution of the *Investment Advisory Agreement*.

- C. The Registrant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant's services.
- D. The Registrant does not sponsor a wrap fee program. However, the Registrant, through sub-advisory relationships, may utilize the wrap fee programs of other advisors in the management of client assets. There is no significant difference between how the Registrant manages accounts that include a wrap fee component and those that do not.
- E. As of December 31, 2012, the Registrant had \$56,677,946 in assets under management on a discretionary basis and \$1,084,843 on a non-discretionary basis.

## Item 5 Fees and Compensation

### A. INVESTMENT ADVISORY SERVICES:

The client can determine to engage the Registrant to provide discretionary investment advisory services on a negotiable *fee* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management. Fees for these services are negotiable and vary (generally between 0.75% and 1.00%) depending on the scope of services provided.

The Registrant provides discretionary investment advisory services to the Adaptive Allocation Fund and the Adaptive Allocation Portfolio (the "Funds"). The Funds pay an annual investment advisory fee to the Adviser equal to 1.00% of the average daily net assets of the Funds.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that The Investment Center, Inc. ("*TIC*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *TIC* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients will incur, in addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses)
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. However, Registrant, in its sole discretion, may reduce its annual minimum fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Commission Transactions. In the event that the client desires, the client can engage the Registrant's Principal and/or certain Associated Persons, in their individual capacities as

registered representatives of The Investment Center, Inc. (“TIC”), an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through TIC, TIC will charge brokerage commissions to effect securities transactions, a portion of which commissions TIC shall pay to Registrant’s Associated Persons, as applicable. The brokerage commissions charged by TIC may be higher or lower than those charged by other broker-dealers. In addition, TIC, as well as Registrant’s Associated Persons, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from TIC presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client’s need. No client is under any obligation to purchase any commission products from TIC. **The Registrant’s Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. The Registrant does not charge advisory fees in addition to commissions received.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant’s clients shall generally include individuals, registered investment companies, pensions and profit sharing plans, trusts, estates or charitable organizations, and corporations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services.

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

The Registrant takes a multi-strategy and actively-managed approach to investing which seeks to adapt to any given market environment, reducing market exposure when risk is deemed high and investing aggressively when risk is considered low.

- A. The Registrant shall utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis, the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are traditional investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.



Short selling is an investment strategy with a higher level of inherent risk than the fundamental strategies discussed above. Short selling involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets. As previously discussed, the Registrant may also utilize leveraged short mutual funds and/or exchange traded funds that are designed to perform in an inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk.

**Please Note:** Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of short sales, etc).

- C. **Affiliated Funds.** As discussed above, the Registrant provides investment advisory services to registered investment companies, the Adaptive Allocation Fund and Adaptive Allocation Portfolio. The affiliated Funds follow a tactical asset allocation trading strategy that involves above average portfolio turnover, which could have a negative impact on net after-tax returns. Registrant uses proprietary financial statement analysis and trend following analysis models to determine the types and amounts of securities to be traded for the Funds' portfolios.

The Funds' investment strategy is implemented by investing in open-end and closed-end investment companies and unit investment trusts (collectively, the "Underlying Funds"), individual equity, fixed income securities, mutual funds, exchange traded notes ("ETNs") and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices). The Underlying Funds, ETNs and ETFs include high beta index funds ("HBIFs"), which track market indices but are more volatile than the benchmark index they track and typically do not invest directly in the securities included in the benchmark or in the same proportion as the benchmark. Rather, HBIFs invest in leveraged instruments such as equity index swaps, futures contracts, and options on securities. The Funds do not typically invest directly in swaps, futures and options or directly leverage the Funds' portfolio, but may do so when deemed appropriate in accordance with the Funds' investment objectives.

The Funds pay an annual investment advisory fee to the Adviser equal to 1.00% of the average daily net assets of the Funds. As fully disclosed in the Funds Prospectus, the Registrant *may* pay any such referral fee to 3<sup>rd</sup> party professionals, solely from the Registrant's investment management fee, and shall not result in any additional charge to the client.

The Funds' investment objectives and strategies are discussed more fully in the Funds' Prospectus, which is provided to all Funds' shareholders.

## Item 9            Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

## Item 10          Other Financial Industry Activities and Affiliations

- A. As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of The Investment Center, Inc., an SEC registered and FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

C.

**Registered Representatives of TIC.** As disclosed above in Item 5.E, certain of Registrant's representatives, are registered representatives of *TIC*, an SEC Registered and FINRA member broker-dealer. Clients may choose to engage Lewis S. Arno or Derek Bilcik, in their individual capacities as registered representatives of *TIC*, to implement investment recommendations on a commission basis.

**Investment Adviser to Affiliated Fund.** The Registrant currently serves as the investment adviser to the Adaptive Allocation Fund and the Adaptive Allocation Portfolio (the "Funds"). As investment adviser to the Adaptive Allocation Fund and the Adaptive Allocation Portfolio, Registrant receives an advisory fee for its services. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the Funds, the Registrant may give advice or take action with respect to the Funds that differs from that given/taken by Registrant for individual client accounts. To the extent that a particular investment is suitable for the Funds and certain individual client accounts, such investments will be allocated between the Funds, and the individual client accounts on a pro-rata basis based on the assets under management or in some other manner which the Registrant determines is fair and equitable under the circumstances. Neither the Firm nor any of its principals is a related person of the Funds. **Please Note:** As the investment adviser to the Funds, the Registrant shall receive an annual investment advisory fee equal to 1.00% of the average daily net asset balance of the Funds. **Please Note:** The Registrant **does not** charge individual clients a direct investment advisory fee on assets allocated to its affiliated Funds. However, clients incur investment advisory fees at the Funds level.

**Conflict of Interest:** The recommendation by any related person of the Registrant that a client invest all or a portion of their assets into one or both of the Funds presents a ***conflict of interest***, as the Registrant's receipt of an advisory fee, the calculation of which is based upon the average daily net asset balance of the Funds, provides an incentive to recommend the Funds based upon the Registrant's advisory fee received from the Funds, rather than on a particular client's need. No client is under any obligation to become an investor in the Funds. **The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions**

**that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agent.** Lewis S. Arno, in his individual capacity, is a licensed insurance agent, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage Mr. Arno to effect insurance transactions on a commission basis. Insurance related transactions may be performed through Mr. Arno's related entity, Financial Planning Analysts Inc.

**Conflict of Interest:** The recommendation by Mr. Arno or Mr. Bilcik that a client purchase a securities or insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Mr. Arno or Mr. Bilcik. Clients are reminded that they may purchase investment products recommended by Registrant through other, non-affiliated broker dealers and/or insurance agents. **The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, the Registrant has a financial interest in the Funds. The Registrant may recommend that clients consider allocating a significant portion of their investment assets to the Funds. Registrant's clients are under absolutely no obligation to consider or make an investment in the Funds.

**The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit

upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *TIC*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *TIC* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee 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 services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates

for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *TIC* (or any other broker-dealer/custodian), without cost (and/or at a discount), support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *TIC* (or any other broker-dealer/custodian) as a result of this arrangement. There is no corresponding commitment made by the Registrant to *TIC* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, 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.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant'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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and Chief Compliance Officer. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.1 above, the Registrant may receive an indirect economic benefit from *TIC* (or any other broker-dealer/custodian). The Registrant, without cost

(and/or at a discount), may receive support services and/or products from *TIC* (or any other broker-dealer/custodian).

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *TIC* (or any other broker-dealer/custodian) as a result of this arrangement. There is no corresponding commitment made by the Registrant to *TIC* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Clients who have their advisory fees debited directly from their custodial accounts are urged to compare any written statement provided by the Registrant with the account statements received from the account custodian to ensure that the proper advisory fee has been deducted from their custodial account. **Please also note** that the account custodian does not verify the accuracy of the advisory fee calculation.

## **Item 16      Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc).

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

- A. The Registrant does not vote client proxies except for proxies solicited by issuers of securities owned by the Adaptive Allocation Fund and Adaptive Allocation Portfolio. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

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

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Derek Bilcik, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**