

**Firm Brochure**  
(Part 2A of Form ADV)

**Jolliffe Capital, Inc.**  
**11858 Bradburn Blvd**  
**Westminster, CO 80031**

**Phone**

303-469-6273

**Fax**

303-320-1480

**Website**

[www.jolliffecapital.com](http://www.jolliffecapital.com)/[www.happynestegg.com](http://www.happynestegg.com)/[www.mercerfg.com](http://www.mercerfg.com)  
[www.happy401k.com](http://www.happy401k.com)

**Email**

[pat@jolliffecapital.com](mailto:pat@jolliffecapital.com)

This brochure provides information about the qualifications and business practices of Jolliffe Capital, Inc. If you have any questions about the contents of this brochure, please contact us at: 303-469-6273, or by email at: [pat@jolliffecapital.com](mailto:pat@jolliffecapital.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 JCI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

03/10/2014

## **MATERIAL CHANGES**

---

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

---

### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

---

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 303-469-6273 or by email at: [pat@jolliffecapital.com](mailto:pat@jolliffecapital.com)

## Table of Contents

<b>Material Changes .....</b>	<b>2</b>
Annual Update .....	2
Material Changes since the Last Update.....	2
Full Brochure Available.....	2
<b>Advisory Business .....</b>	<b>5</b>
Firm Description .....	5
Principal Owners.....	5
Types of Advisory Services .....	5-7
Types of Agreements .....	7-12
Termination of Agreement.....	12
<b>Fees and Compensation.....</b>	<b>12</b>
Description.....	12-14
Past Due Accounts and Termination of Agreement .....	14
<b>Performance-Based Fees .....</b>	<b>14</b>
Sharing of Capital Gains .....	14
<b>Types of Clients.....</b>	<b>14</b>
Description.....	14-15
Account Minimums .....	15
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>15</b>
Methods of Analysis .....	15
Investment Strategies .....	15
Risk of Loss .....	15-22
Regulatory Risks.....	22-23
<b>Disciplinary Information.....</b>	<b>23</b>
Legal and Disciplinary .....	23
<b>Other Financial Industry Activities and Affiliations.....</b>	<b>23</b>
Financial Industry Activities.....	23-24
Affiliations .....	24
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>24</b>
Code of Ethics.....	24-25
Participation or Interest in Client Transactions .....	25
Personal Trading .....	25

<b>Brokerage Practices .....</b>	<b>25</b>
Selecting Brokerage Firms.....	25
Best Execution .....	25-26
Soft Dollars .....	26-27
Order Aggregation .....	27-28
<b>Review of Accounts .....</b>	<b>28</b>
Periodic Reviews .....	28
<b>Client Referrals and Other Compensation.....</b>	<b>28-29</b>
Incoming Referrals.....	28-29
Referrals Out.....	29
Other Compensation .....	29
<b>Custody .....</b>	<b>29</b>
Account Statements .....	29
Performance Reports.....	29
<b>Investment Discretion.....</b>	<b>29</b>
Discretionary Authority for Trading.....	29
Limited Power of Attorney .....	29-30
<b>Voting Client Securities.....</b>	<b>30</b>
Proxy Votes.....	30
<b>Financial Information.....</b>	<b>30</b>
Financial Condition.....	30
<b>Business Continuity Plan.....</b>	<b>30</b>
General .....	30
Disasters .....	30
Alternate Offices .....	30
Loss of Key Personnel .....	31
Summary of Business Continuity Plan .....	31
<b>Information Security Program .....</b>	<b>31</b>
Information Security .....	31
Privacy Notice.....	31-32

## **ADVISORY BUSINESS**

---

### **Firm Description**

Jolliffe Capital, Inc, hereinafter (“the Adviser or JCI”) was founded in 2006 and is an SEC registered investment adviser.

The Adviser provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses.

The Adviser is a fee-only financial planning and investment management firm. The firm does not sell securities on a commission basis. However, there may be some associated persons who are insurance agents where they receive commissions as compensation. The firm is not affiliated with entities that sell financial products or securities.

Investment advice is provided on a discretionary basis unless the client belongs to a retirement plan to which the advisor offers only non-discretionary advice. The Adviser does not act as a custodian of client assets. The client always maintains asset control.

---

### **Principal Owners:**

Patrick Jolliffe is a 45% stockholder. Shawn Mercer is a 45% stockholder. Louis Kleager is a 5% stockholder. Carmen Kleager is a 5% stockholder.

---

### **Types of Advisory Services**

The Adviser provides investment supervisory services, also known as asset/investment management services, and furnishes investment advice through consultations. On more than an occasional basis, JCI furnishes financial planning advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning. The firm may also advise on public and private retirement plans, and provide discretionary or non-discretionary investment management services to plan participants, depending on the nature of the relationship.

#### **Investment Management**

Clients elect this service when the client wishes to have investments managed by JCI on a continuous basis. As a part of the management agreement, the client grants limited discretionary power to JCI and its representatives, and to sub-manager’s engaged by JCI, to affect the purchase of mutual funds, exchange-traded funds and other securities based on the client’s investment objectives as reflected in a Risk Tolerance and Profiling Questionnaire completed by each client before services begin. This service includes assistance with completion of the Risk Tolerance and Profiling Questionnaire, and also provides either the Lifestyle Plan or Comprehensive Plan at a fifty-percent discount, if requested by the client. A Sub-managers frequently used by JCI includes ~~Adhesion Wealth Advisors Solutions~~, Alta Capital Management, ~~Truro Asset Management~~, ~~Gratry and Company~~ and ~~Good Harbor~~

~~Financial.~~ JCI is also granted authority to hire and terminate sub-managers as deemed necessary by JCI.

Most clients choose to have JCI manage their assets in order to obtain ongoing, in-depth advice and life planning, which is essentially a part of the financial planning services, but is included as a part of the investment management services, at no additional fee.

### **Financial Planning**

Representatives of JCI are available to prepare a financial plan and furnish recommendations to clients regarding the allocation of a client's financial resources among different types of assets including investments, savings, and insurance with a view toward better correlating the assets with the client's financial planning objectives.

Representatives of JCI can also assist clients with specific projects, such as defining personal financial planning goals and objectives to be pursued in the areas of business planning, children's education, retirement planning, disability protection, estate planning, tax planning, and investments. The firm may also provide recommendations as to the actions and investment strategies necessary to attain these goals and objectives.

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

Investment Adviser Representatives may offer financial planning services to clients. Determination of who may offer financial planning services is made by Patrick S. Jolliffe, CFP®, ChFC, AIF®. Any other Investment Advisor Representative wishing to produce a financial plan for a client will gather the facts then provide those to Patrick S. Jolliffe, CFP®, ChFC, AIF®, who will then prepare the final plan for presentation. Thereafter, financial plans are reviewed only upon request unless JCI is retained to update the plan on a continuous basis.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations. The financial planning may be the only service provided to the client and does not require that the client use or purchase the investment advisory services offered by the Advisor or any of the insurance products or other products and services offered by the associated persons of the Advisor. There is an inherent conflict of interest for the Advisor whenever a financial plan recommends use of professional investment management services or the purchase of insurance products or other financial products or services. The Advisor or its associated

persons may receive compensation for financial planning and the provision of investment management services and/or the sale of insurance and other products and services. The Advisor does not make any representation that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations of the Advisor or use the services of the Advisor in particular.

## **TYPES OF AGREEMENTS**

---

### **Financial Services Agreement**

The Financial Services Agreement which the client signs prior to the commencement of JCI's services clearly identifies the type of service(s) offered by JCI, including investment management services, the preparation of a financial plan and/or the preparation of an Investment Policy Statement. To choose any of these services, the client simply identifies each with a 'check' or initial within the agreement. Also clearly stated within the agreement are any sub-manager hired, if any, and its fees. Should a sub manager be hired and subsequently fired at any point in the future, JCI will send a letter to each client identifying the date a sub-manager was terminated.

Fees are negotiable and are billed in advance each quarter. By signing the Financial Services Agreement, clients grant JCI authority to debit the amount of the fee it and all sub-managers are due from the client's account(s) on a quarterly basis. Clients should be aware that JCI's and sub-manager's fees are in addition to any fees charged by the investment itself (such as expenses associated with ETFs), and/or to trading costs (commissions) for transactions in equities, exchange-traded funds, bonds and/or mutual funds, if they apply. Accounts which receive services for a partial quarter will have their fees prorated accordingly.

As a part of this service, the client accepts JCI's recommendation that a brokerage account with Schwab Institutional be established through which trades are effected and from which monthly statements will be provided to JCI and the client reflecting all account activity.

JCI provides clients a quarterly report reflecting, at a minimum, a summary of the portfolio's holdings and a report of the portfolio's investment allocations. A statement reflecting the fee collected is sent to Schwab at the same time clients are invoiced. Schwab provides monthly statements which reflect all activity in the client's account, including all disbursements and the amount of the advisory fee.

As of December 31st 2012 JCI manages approximately ~~\$103,942,348.91~~ \$133,258,178.24 in assets for approximately ~~354~~ 5 clients. Approximately ~~\$122,167,888.15~~ \$98,983,463.30 is managed on a discretionary basis, and ~~\$4,958,885.61~~ \$11,090,290.05 is managed on a non-discretionary basis.

---

**Agreements may not be assigned without client consent. Types of Electable Services**

The following services define the typical client relationships:

Description of Portfolio Management

~~Adhesion Wealth Advisor Solutions (“Adhesion”) is a separate account money manager. Some clients, depending on their investment objectives and preferences, may choose to have Adhesion manage their money in conjunction with JCI. Additionally, JCI may select other separate money managers to assist JCI in managing client’s investments in particular strategies. Currently, JCI employs the services of one sub-manager, Alta Capital Management. Such separate money managers and advisors include Alta Capital Management, Truro Asset Management and Grady and Company and Good Harbor Financial.~~

Incorporating JCI’s IPS

JCI obtains background information about each client's financial circumstances, investment objectives, and risk tolerance, among other things, through a questionnaire designed by JCI. Advisory clients may also have written investment policy statements or written investment guidelines that the firm reviews, approves, and monitors as part of the firm's investment services, subject to any written revisions or updates received from a client.

Once it has been determined how the client account should be invested, the client’s accounts are placed in a group or set within our portfolio management system. For example, clients with total account balances below \$50,000 are placed in our “ETF” group. Clients that have requested that their portfolios have a certain fixed income component are placed in a different group. Clients with special trading restrictions have that restriction noted on their accounts in the “Comment” field that is used when preparing trade allocations.

Rebalances & Style Drift

Accounts are monitored daily, weekly, monthly, and quarterly to ensure that they remain invested consistent with the client’s requirements and circumstances. The accounts are reconciled daily to make sure that the custodian’s data matches with JCI’s or the sub-manager’s data. On a weekly basis, a performance by position report is generated for each account that is reviewed by the portfolio manager. Each month, a monthly performance interval is created to again check the integrity of the pricing used and compare the portfolio’s performance to the relevant indexes. Once a quarter, the portfolios are checked to make sure that they have the proper allocation of equities, fixed income securities, and ETFs.

Risk Adjusted Rate of Return

For the equity component of our portfolios, we mitigate overall portfolio volatility by incorporating more outperforming low-correlation strategies into the portfolio. This



blueprint guides our allocation to each investment approach, with the primary objective being to produce a high return while minimizing volatility. Ideally, the portfolio owns at least 50 stocks.

**Jolliffe Capital, Inc. – accounts managed by JCI only.**

Description of Portfolio Management

How We Determine Suitability

Determining suitability of investments for a client is the essence of our fiduciary responsibility. It is not our job to determine the type of investor a person may be; rather, our job is to interview and question a client to determining point that we have a clear understanding of the risk tolerance and end-goals in the mind of the client – and then employ an investment strategy that is suitable for attaining those goals.

The ways in which we determine a client's suitability include a couple of different tasks:

1. Completion of the Client Profile and Client Risk Tolerance Questionnaire
  - The answers to this questionnaire provide a framework from which we can begin to understand how a client feels about money, how they may react to declines in value, their need for income, capital appreciation, tolerance for risk, and the like.
2. A discussion with the client about the same types of information asked in the Client Risk Tolerance Questionnaire, but focusing more on how folks really 'feel' about their money, what's emotionally important to them, when they will need money, what might cause them to fire us, what might cause them to refer us, and the like.
  - The answers during this discussion serve to compliment those provided on our written questionnaire, and give us further insight to the person, and what then might be most suitable as an investment.

In addition to 1 and 2 above, we often provide a comprehensive financial plan for our clients. This plan becomes an integral part of the suitability determination, and attempts to forecast on a reasonable basis what a client's lifestyle may be like during retirement. This plan can be updated as often as necessary, as results become known. Based upon those changes, the whole process tends to repeat itself, and it is the investor, by answering questions differently, that changes the kind of investor he/she may be, which directly affects suitability.

It is the determination of initial suitability, and any change that may occur in the investor's risk tolerance, etc, as a result of answers to our questions, or changes in their plan that would constitute a change of being invested one way or another. For example, as a client ages, they may need more income for health expenses.

Therefore, they may be changed from being invested in a model more geared toward growth, to a model that is more suited toward producing current income.

### **JCI Models**

Accounts for which the services of a sub-manager are not utilized are managed directly by JCI. JCI models are exclusively limited to a number of various Exchange Traded Funds (ETF's). These ETF's are much like a mutual fund, except for the fact that they are not managed. Rather, the definition of each fund determines the type of investment it holds, whether that be a stock or bond, for example. The expenses associated with ETF's are generally much lower than a typical mutual fund, since there is no manager to compensate.

The idea behind the models at JCI is to choose any number of various ETF's and combine them together, in an effort to maximize performance while at the same time lower overall risk. This is accomplished as a function of diversification, which is accomplished within each ETF itself by the large number of investments contained therein, combined with the diversification enhanced by investing in any other number of ETF's within a given model.

As of the time of this writing, JCI has six investment models that it manages, ranging from lower risk to more aggressive. Specifically, these models are named as follows, again listed from the lowest risk to the highest risk: Conservative; Conservative Income; Moderate Income; Conservative Appreciation; Moderate Appreciation; Appreciation.

Our Investment Research Team provides the research that determines the allocation strategy within each model. The majority of this research is performed by Capital Market Consultants, LLC, of Milwaukee, Wisconsin, a firm which has been retained by JCI on a contractual basis. The individual members of the JCI Investment Research Team are listed below:

- Dr. Abdhur Chowdhury, PhD, Economics Dept Chair & Professor, Marquette University.
- Barry Mendelson, CIMA, President & Founder, Capital Market Consultants, LLC, Milwaukee, Wisconsin.
- Richard Iwanski, CFA, Partner, Capital Market Consultants, LLC.
- Jolie Keller, CFA, Research Analyst, Capital Market Consultants, LLC.
- Patrick S. Jolliffe, CFP®, ChFC, Founder & President, Jolliffe Capital, Inc.
- David B. Crandell, Investment Advisor Representative, Jolliffe Capital, Inc.

Changes made within each model are dictated by the Investment Research Team. Changes are suggested as global economic factors may suggest. An example would be a rising interest rate environment. In such a case, the Investment Research Team may suggest to lessen exposure to long-term corporate bonds, which may have more risk exposure in a rising interest rate environment, and reinvest the money into

Treasury Inflation Protected Securities, which perform more positively in a rising interest rate and inflationary environment.

Many economic factors can and do affect the allocation of model. It is the responsibility of JCI, in concert with the members of its Investment Research Team, to monitor the global economic factors that influence various investments and asset classes and to the best of their professional ability, make changes accordingly.

Reference has been given to the fact that our models are ‘passively’ managed. What is meant by this term is that we do not ‘day trade’ or constantly trade in the account. Rather than applying a technical trading approach, we are more fundamental in nature, researching the economic environment and applying that research to the decision-making process relating to the allocation of investments within each model.

#### Industry Specific Model

JCI has developed a proprietary investment strategy that utilizes an industry-specific segment focus and employs in this strategy the use of option contracts during certain times in the economic and market cycle of this segment. Specifically, the strategy invests in Limited Master Partnerships in the energy sector and may invest in other industry sectors from time to time. This model carries the potential for higher risk and only the very risk tolerant clients, as determined by JCI, will be considered for this strategy. Fees charged for this strategy are negotiated with the client prior to implementation of the strategy. All fees are disclosed to the client through the Investment Service Agreement and Addendums to this Agreement.

#### Option Hedging Strategy

JCI has developed a proprietary investment strategy that utilizes option positions to hedge against mark declines and still allow for upside appreciation of the client’s portfolio. Specifically this strategy will look to invest in securities that are determined by JCI to be leaders in their specific industry classifications that also may produce income through dividends and other means. JCI will also look to purchase and sell options contracts, both calls and puts, to help mitigate losses in the strategy and to clients. This model is actively managed and carries the potential for higher risk due to the use of options. All fees are disclosed to the client through the Investment Service Agreement and Addendums to this Agreement.

#### **Accounts Managed Under [www.happy401k.com](http://www.happy401k.com)**

JCI provides investment management services to certain pension/profit sharing plans – namely defined contribution plans in the form of 401k plans, 457 plans, and the like. In any of these plans for which JCI has been named a co-fiduciary and Investment Advisor Representative, the investment choices may include both Exchange Traded Funds and managed mutual funds. In this role, JCI is subject to the

laws of ERISA and contractually acknowledges its role in writing. As an Investment Advisor to each plan, JCI provides discretionary investment advice and may assist each plan participant in selecting individual investments within the participant's retirement account. In the same way as the JCI models are managed, the happy401k models, for which there are also six and which are managed identically to the JCI models, only differ in the types of investments included – namely mutual funds and/or ETFs. The factors determining what kind of investment is included in the happy 401k models are the availability of investments, as defined by the custodian via JCI's relationship with Expertplan, a 401k provider and servicing organization providing its services on a private label basis to JCI.

---

### **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying JCI in writing. Clients shall be charged pro rata for services provided through to the date of termination. If the client made an advance payment, JCI will refund any unearned portion of the advance payment.

The Adviser may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, JCI will refund any unearned portion of the advance payment.

A full refund of all fees paid will be made if the contract is terminated within five business days of the execution date. Clients receiving management services are expected to pay all fees earned, prorated to date of termination. The agreement will also terminate upon completion of a financial plan, unless investment management services have been elected.

The Adviser reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in JCI's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded.

### **FEES AND COMPENSATION**

---

#### **Financial Planning and Investment Management**

Jolliffe Capital, Inc. provides financial planning and investment management services.

#### **Investment Management**

The fees for Management Services are asset-based and vary with the amount of assets under management. The firm has a minimum account size of \$25,000.00, although in

certain circumstances may allow accounts of smaller size, and retains the right to negotiate the fee structure on a per client basis. The annual fees are as follows:

Column 1	Column 2
ETF Management 1.45%	Multi-Cap Equity 1.85%
	Multi-Cap Equity with Leverage 2.00%

The fee shown in column one is for JCI only; any sub-manager fee, mutual fund expense, or transaction cost/brokerage fee, if applicable, is charged separately. The fee in column two applies when JCI also utilizes a sub-manager to assist in investing your money in particular strategy. In those instances, the fees for both JCI and the sub manager are combined.

**Billing Cycle is as follows:**

Last Name (A-I) – fees assessed – February, May, August and November

Last Name (J-Q) – fees assessed – March, June, September and December

Last Name (R-Z) – fees assessed – January, April, July and October

**Financial Planning**

**Lifestyle Plan - Up to \$2,000.00**

These services address emergency reserves, debt reduction, net worth, asset allocation, disability and life insurance protection, accumulation goals (including education planning, if requested), retirement, and long-term care planning. The fee is payable upon the signing of the agreement. JCI will deliver the plan within 60 days of the date the agreement is signed and fee is collected. The client may have the client's financial plan updated with their new goals and portfolio values, at a discounted fee.

**Comprehensive Plan - Up to \$20,000.00**

This service includes preparation of a Lifestyle Plan plus an estate analysis, tax-planning, stock option analysis, family limited partnership planning, and business analysis, if appropriate. The fee is payable upon the signing of the agreement. JCI will deliver the plan within 90 days of the date the agreement is signed and fee is collected. The client may have the client's financial plan updated with their new goals, and portfolio values, at a discounted fee.

**Written Investment Policy Statement - \$1,000.00**

The purpose of this document is to create a policy statement to be given to an investment advisor with strict instructions to that advisor as to how the client wishes to have the adviser manage money. The fee is payable upon signing of the agreement and the IPS will be delivered within 60 days of that date. This policy statement is created after a thorough review of the current investments that includes the following:

- A. Client specific goals and time frame
- B. Range of return expectations
- C. Risk tolerance and limits
- D. Investment constraints

- E. A written review of current investments and suggested changes in strategy through the use of generic products and services.
- F. Asset allocation modeling and diversification.

---

**Conflict of Interest Between Different Fee Structures**

The Adviser offers several different services detailed in this brochure that compensate JCI differently depending on the service selected. There is a conflict of interest for JCI and its associated personnel to recommend the services that offer a higher level of compensation to the Firm through either higher management fees or reduced administrative expenses. The Adviser mitigates this conflict through its procedures to review client accounts relative to the client or investor's personal financial situation to ensure the investment management service provided is appropriate. Further, JCI is committed to its obligation to ensure associated persons adhere to the Firm's Code of Ethics and to ensure that the Firm and its associated persons fulfill their fiduciary duty to clients or investors.

---

**Termination of Agreement**

See Advisory Business, Termination of Agreement.

---

**Performance Fees**

Fees are not based on a share of the capital gains or capital appreciation of managed securities. However, JCI may employ certain types of investments that do charge a performance fee in which JCI does not participate. For these investments, refer to their offering or private placement memorandum for an explanation and amounts of the performance fees. The Adviser does not use a performance-based fee structure.

---

**TYPES OF CLIENTS****Description**

The Adviser generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or corporations or business entities.

Additionally JCI provides investment tools as described below:

Members of the general public may utilize [www.happy401k.com](http://www.happy401k.com) for general investment advice and education, as defined by the United States Department of Labor. Upon registering for the site, for which there is no charge, an investment allocation is generated upon completion of an online risk tolerance questionnaire.

Thereafter, it is the client's responsibility to implement that advice; the client may choose to implement that advice or choose not to implement that advice. In both cases, it is the client's responsibility to execute any changes that may occur or be warranted.

**Client also understands that Adviser does not guarantee investment results and that losses may occur from receiving Adviser's services.**

If Adviser seeks to amend its fees, Adviser shall notify the client in writing, electronically, via email, of the proposed change. Such changes may only become effective if the client and adviser agree to the proposed fee amendments in writing. Mutual agreement of any proposed changes will be satisfied by a return email from the client to the adviser. If the client does not agree with the proposal, adviser may cancel this agreement upon thirty (30) days written notice to the client, delivered electronically via email, and refund any prepaid fees as contemplated herein. Client relationships vary in scope and length of service.

---

#### **Account Minimums**

The firm has a general rule that requires \$25,000 minimum for new investment management accounts. This rule is negotiable depending on individual client circumstances. The Adviser has the sole discretion to waive the account minimum.

---

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission, and company press releases.

In addition, JCI engages Capital Market Consultants, a Milwaukee, Wisconsin based research consulting firm to provide it with information regarding the economy, capital market performance, and diversified investment strategies that may be suitable for investors with different risk tolerances and investment objectives. The decision to implement these strategies and to determine which strategies may be suitable for any individual investor is entirely the responsibility of and at the discretion of JCI.

---

##### **Investment Strategies**

Investment strategies may include long-term purchases, short-term purchases, and margin transactions. Portfolios are globally diversified to control the risk associated with traditional markets. The Adviser's ETF strategies do not involve frequent trading while portfolios utilizing a sub-manager may realize more frequent trading.

Portfolios utilizing the Industry Specific Strategy model may include short-term investments, the use of option contracts, margin transactions and frequent trading.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each

Formatted: English (United States)

client completes a Risk Tolerance Questionnaire that documents their objectives and their desired investment strategy.

---

**Risk of Loss**

Any investment with JCI involves risk, including the possibility for a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor. Those risks that you may encounter when working with JCI are described below:

---

**Market Risks**

**Competition:** The securities industry and the varied strategies and techniques to be engaged in by JCI are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**Market Volatility:** The performance of investments managed by JCI substantially depends upon the firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Adviser cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

**Jolliffe Capital, Inc's Investment Activities:** The Adviser's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by JCI. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of JCI to realize profits. Additionally, specific investments under JCI's strategy may require significant time to realize the expected return and may experience a pricing correction in a faster-than-expected time, subjecting JCI to reinvestment risk. Likewise, the investment strategy of JCI is partially dependent on its ability to correctly identify and assess technology's impact on a company's business. As a result of the nature of JCI's investing activities, it is possible that its financial performance may fluctuate substantially over time and from period to period.

**Material Non-Public Information:** By reason of their responsibilities in connection with other activities of JCI and/or its affiliates, certain principals or employees of JCI and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, JCI may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.



**Accuracy of Public Information:** The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to JCI by the issuers or through sources other than the issuers. Although JCI evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, JCI is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

**Investments in Undervalued Securities:** The Adviser intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from JCI's investments may not adequately compensate for the business and financial risks assumed. The Adviser may make certain speculative investments in securities which it believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, JCI may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of JCI's funds would be committed to the investments made, thus possibly preventing JCI from investing in other opportunities.

**Small Companies:** The Adviser may invest a portion of the assets it manages in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, JCI may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

**Volatility of Currency Prices:** The performance of JCI's portfolios depends, in part, upon JCI correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Adviser cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.

**Leverage:** When deemed appropriate by JCI and subject to applicable regulations, JCI may incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent JCI purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of JCI. If the interest expense on this leverage were to exceed the net return on the investments made with borrowed funds, JCI's use of leverage would result in a lower rate of return than if JCI were not leveraged.

If the amount of borrowings which JCI may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of JCI's portfolios will have disproportionately large effects in relation to JCI's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of JCI to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to JCI, the net asset value of JCI will generally decline faster than would otherwise be the case.

Certain of JCI's trading and investment activities may be subject to Federal Reserve Board ("**FRB**") margin requirements, which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of

the assets managed by JCI, JCI might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to JCI's trading activities, JCI, and not the Limited Partners personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

**Options and Other Derivative Instruments:** The Adviser may invest, from time to time, in options and other derivative instruments, including, but not limited to, the buying and selling of puts and calls on some of the securities held by JCI. The prices of many derivative instruments, including many options and swaps, are highly volatile. The values of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Adviser is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by JCI were permitted to expire without being sold or exercised, JCI would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to JCI at a higher price than its current market value. The risk involved in writing a call option is that there

could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by JCI at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. JCI does not engage in these types of investments.

**Hedging Transactions:** Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, other derivatives, and other investment techniques are commonly utilized by investment funds to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for JCI to hedge against a fluctuation at a price sufficient to protect JCI’s assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The Adviser is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedges are implemented, their success is somewhat dependent on JCI’s ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

**Market or Interest Rate Risk:** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities fall. If JCI holds a fixed income security to maturity, the change in its price before maturity may have little impact on JCI’s performance; however, if JCI has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to JCI.

**Fixed Income Call Option Risk:** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if

market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, JCI is exposed to reinvestment rate risk – JCI will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**Maturity Risk:** In certain situations, JCI may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, JCI will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

**Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if JCI purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, JCI is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

**Investments in Non-U.S. Investments:** From time to time, JCI may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the

U.S. dollar, and JCI may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect JCI's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of JCI's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of JCI's foreign currency holdings. If JCI enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if JCI enters forward contracts for the purpose of increasing return, it may sustain losses.

- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

**Risk of Default or Bankruptcy of Third Parties:** The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, JCI could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, JCI could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which JCI does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if JCI's prime broker and custodian were to become insolvent or file for bankruptcy, JCI could suffer significant losses with respect to any securities held by such firm.

---

## Regulatory Risks

**Strategy Restrictions.** Certain institutions may be restricted from directly utilizing investment strategies of the type in which JCI may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in JCI is appropriate.

**Trading Limitations.** For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject JCI to loss. Also, such a suspension could render it impossible for JCI to liquidate positions and thereby expose JCI to potential losses.

**Tax Risk.** The tax aspects of an investment in JCI are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles as applicable.

**Conflicts of Interest:** In the administration of client accounts, portfolios and financial reporting, JCI faces inherent conflicts of interest which are described in this brochure. Generally, JCI mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.

**Supervision of Trading Operations.** The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite JCI's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts.

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

**Security Specific Risks:**

**Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

**Currency:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Limited Liquidity of Interests:** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for the interests JCI and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.

**Lack of Registration:** Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

**Withdrawal of Capital:** The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in a Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

## DISCIPLINARY INFORMATION

---

### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

---

### Activities

Some representatives of the firm are licensed as registered representatives of Sunbelt Securities, or Intervest International Equities Corporation, both broker-dealers and each a member of Financial Industry Regulatory Authority (“FINRA”) through which they may recommend and sell commissionable securities products. Some representatives are insurance agents and may sell certain insurance products and be paid a commission. Representatives may spend approximately 20% of their time engaged in these activities.

Due to these relationships a conflict of interest exists between the interests of persons associated with JCI and those of the advisory clients. However, clients are under no obligation to act upon any of the firm’s representative’s recommendations or effect any transactions through persons associated with JCI if they decide to follow the recommendations.

JCI’s website may be accessed via the following: [www.jolliffecapital.com](http://www.jolliffecapital.com), [www.happynestegg.com](http://www.happynestegg.com) and [www.mercerfg.com](http://www.mercerfg.com). The firm also markets workshops under the name “Retirement Education Institute.” The workshops are targeted at prospects and clients close to retirement age or already retired. The scope of the workshop is educational, and there is no charge. Food is generally served at the conclusion of each workshop, and each attendee is offered the opportunity to schedule a free, no obligation appointment with either Patrick S. Jolliffe and/or Shawn M. Mercer to determine if JCI’s services could be of benefit.

### Affiliations

JCI has a contractual agreement with ~~Adhesion Wealth Advisor Solutions (“Adhesion”), which is affiliated with and does business as~~ Atria Investments, LLC, a Registered Investment Adviser to serve as a Separate Account Manager for JCI, ~~with respect to the Multi-Cap Program.~~

~~JCI has a contractual agreement with Capital Market Consultants, LLC (CMC), a research firm providing investment research for JCI’s ETF and mutual fund model portfolios. CMC also provides research on Separate Account Managers. Certain of CMC’s principals and/or employees or associates serve on the investment research team of JCI.~~

~~JCI has a contractual agreement with Alta Capital Management (“Alta”), which is a Registered Investment Adviser to serve as a Separate Account Manager for JCI.~~



~~JCI has a contractual agreement with Gratry and Company (“Gratry”), which is a Registered Investment Adviser to serve as a Separate Account Manager for JCI.~~

~~JCI has a contractual agreement with Truro Asset Management (“Truro”), which is a Registered Investment Adviser to serve as a Separate Account Manager for JCI.~~

~~JCI has a contractual agreement with Good Harbor Financial, LLC (“Good Harbor”), which is a Registered Investment Adviser and a subsidiary of Cedar Capital Advisors, LLC, to serve as a Separate Account Manager for JCI.~~

JCI has a contractual agreement with Expertplan, Inc., a retirement plan administration firm catering to independent investment management firms. Through this agreement JCI offers pension and profit sharing consulting services under the private label Happy401k. The firm markets its services through [www.happy401k.com](http://www.happy401k.com), which serves as a free site offering non-discretionary asset allocation advice in addition to discretionary investment management services for fee-paying retirement plans serviced directly by JCI.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

---

### **Code of Ethics**

The Adviser has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to JCI’s Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to JCI’s Compliance Officer. Each supervised person of JCI receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of JCI’s Code of Ethics by contacting the Compliance Officer of JCI.

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

---

Under JCI’s Code of Ethics, JCI and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of JCI, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and JCI, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price. The Adviser and its managers, members, officers and employee may also buy or sell specific

securities for their own accounts based on personal investment considerations, which JCI does not deem appropriate to buy or sell for clients.

---

**Personal Trading**

The Chief Compliance Officer of JCI is Patrick Jolliffe. He reviews all employee trades each quarter (except for his own trading activity that is reviewed by another principal or officer of the firm). The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

---

**BROKERAGE PRACTICES****Selecting Brokerage Firms**

The Adviser and its associated persons do not receive client referrals from broker dealers or third parties as consideration for selecting or recommending brokers for client accounts.

The Adviser has the authority over the selection of the broker to be used and the commission rates to be paid without obtaining specific client consent. The Adviser may recommend brokerage firms as qualified custodians and for trade execution.

---

**Best Execution**

When executing transactions through relationships maintained by associated persons, clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Clients are advised that they are under no obligation to implement the plan or its recommendations through the associated persons in their capacities as registered representatives.

By electing Investment Management services, JCI will recommend that clients establish brokerage accounts with the Institutional division of Charles Schwab & Co., Inc. ("Schwab Institutional"), registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts.

---

**Soft Dollars**

JCI and Schwab Institutional are separate, unaffiliated entities. Schwab Institutional provides JCI with access to its institutional trading and operations services typically not available to Schwab's retail customers. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional. Schwab Institutional's services include brokerage, custody, research, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab Institutional also makes available to JCI other products and services that benefit JCI. Some of these other products and services assist JCI in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market

data, facilitate payment of JCI's fees from its client's accounts, and assist with back-office support, record keeping and client reporting.

Many of these services generally may be used to service all or a substantial number of JCI's accounts, including accounts not maintained at Schwab Institutional.

Schwab Institutional provides various products, services and other benefits to JCI at no cost or a reduced cost based upon JCI's commitment that JCI's clients will place or maintain a specified dollar amount of assets in accounts with Schwab Institutional within a specified period of time. JCI may be influenced by this commitment in recommending or requiring that clients establish brokerage accounts at Schwab Institutional.

The products and services or other benefits provided by Schwab Institutional include portfolio management systems that combine accounting, client reporting and performance tracking, enhanced levels of technical support by personnel of Schwab or its affiliates and registration fees for industry conferences sponsored by Schwab. Some of the products, services and other benefits provided by Schwab Institutional benefit JCI and may not benefit JCI's client's accounts. JCI's recommendation that a client place assets in Schwab's custody may be based in part on benefits to JCI, and not solely on the nature, cost or quality of custody and execution services provided by Schwab. JCI places trades for its clients' accounts subject to its duty of best execution and other fiduciary duties.

JCI may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that JCI is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different from other broker-dealers.

For JCI's client accounts maintaining custody at Schwab, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

JCI may recommend other custodians. These recommendations are based on JCI's perception of the breadth of services offered, and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Clients are advised that they are under no obligation to act on the recommendations of JCI.

---

### **Order Aggregation**

The Adviser may purchase and/or sell the same security for many accounts, even though each Client account is individually managed. When possible, JCI may also aggregate the same transaction in the same securities for many Clients for whom JCI has discretion to direct brokerage. Clients in aggregated transactions each receive the same price per unit, although they may pay differing brokerage commissions depending upon the nature of their directed brokerage arrangement, if any.

If more than one price is paid for securities in an aggregated transaction, each client in the aggregated transaction will receive the average price paid for the block of securities in the same aggregated transaction for the day. If JCI is unable to fill an aggregated transaction completely, but receives a partial fill of the aggregated transaction, JCI will allocate the filled portion of the transaction to clients based on an equitable rotational system as follows:

- The Adviser must ensure that adequate and full disclosure of its allocation and bunching practices has been made prior to the transaction.
- All clients/investors, accounts or funds participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rata basis.
- Aggregate transactions must not be executed unless the intended and resultant aggregation is consistent with its duty to seek best execution and any terms found in JCI's written agreements.
- Aggregated orders filled in their entirety shall be allocated among clients/investors, accounts or funds in accordance with an allocation statement created prior to the execution of the transaction(s); partially filled orders shall be allocated pro-rata based on the allocation statement and the variance from the modeled allocation of a security. Where this method prescribes an odd-lot that is less than 100 shares for an account, the allocation will be rounded up to a whole lot. Client/investor funds held collectively for the purpose of completing the transaction may not be held in this commingled manner for any longer than is practical to settle the transaction.
- Each client/investor, account or fund that participates in an aggregated order will participate at the average share price for all JCI's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client/investor's, account's or fund's participation in the transaction.
- Investments resulting from any aggregated order must be consistent with the specific investment objective(s) of each client/investor, account or fund as detailed in any written agreements. No additional compensation shall result from the proposed allocation. No Client/investor, account or fund will be favored over any other Client/investor, account or fund as a result of the allocation.
- Pre-allocation statement(s) specifying the participating Client/investor accounts and the proposed method to allocate the order among the clients/investors, accounts or funds are required prior to any allocated order. Basis for establishing pre-allocations may include pro-rata of account assets to assets for the specific strategy, executing broker and variance from modeled position holding as factors. Should the actual allocation differ from the allocation statement, such trade may only be settled with the approval of the CCO or another appropriately qualified and authorized principal of JCI.

In cases where the Client has negotiated the commission-rate directly with the broker, JCI will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any,

possible commission discounts that might otherwise be available a result of the aggregated trade.

---

## **REVIEW OF ACCOUNTS**

### **Periodic Reviews**

Investment Adviser Representatives of JCI perform reviews of all investment advisory accounts no less than quarterly. Accounts are reviewed for consistency with the investment strategy and performance among other things. JCI provides copies of reports generated and mailed to the client, which include, but are not necessarily limited to, account holdings, performance and billing statements. Each IAR is then responsible to review each client's set of reports and sign an attestation form which is then filed by JCI. Reviews may be triggered by changes in an account holder's personal, tax, or financial status.

Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by an associate. Brokerage statements are generated no less than quarterly. These statements are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived.

---

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **Referrals In/Out**

JCI has solicitor agreements with various individuals and entities. These individuals and/or entities have contracted with JCI to refer potential clients to JCI in return for compensation for such referral. Each solicitor is required to disclose the relationship to each prospect, in writing, by presenting the firm's Solicitor Disclosure Document, which details the relationship that exists between JCI and the solicitor, including the amount of the fee JCI will pay to the solicitor should the referred prospect become a client of JCI.

JCI does not have any formal agreements in place for referring clients out to other professionals.

---

### **Other Compensation**

Some of the Investment Advisor Representatives are insurance agents where they receive commissions as compensation. The firm is not affiliated with entities that sell financial products or securities.

---

### **Custody**

The Adviser does not accept or permit the Firm or its associated persons from obtaining custody of client assets including cash, securities, acting as trustee, provide bill paying service, have password access to control account activity or any other form of controlling client assets. All checks or wire transfers to fund client accounts

are required to be made out to/sent to the account custodian and transferred to the custodian by the end of the next business day.

#### **Account Statements**

All assets are held at qualified custodians and the custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

#### **Performance Reports**

Pursuant to recent amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission now requires advisers to urge clients to compare the information set forth in their statement from JCI with the statements received directly from the custodian to ensure accuracy of all account transactions.

### **INVESTMENT DISCRETION**

---

#### **Discretionary Authority for Trading**

The Adviser contracts for discretionary authority to transact portfolio securities accounts on behalf of clients. Discretionary authority is granted by JCI's investment management agreement.

#### **Limited Power of Attorney**

The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold as reflected in the Risk Tolerance and Profiling Questionnaire, and as granted via Limited Power of Attorney over the client's account. JCI is also granted authority to hire and terminate sub-managers as it deems necessary. The firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the Client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

### **VOTING CLIENT SECURITIES**

---

#### **Proxy Votes**

The Adviser will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. The Adviser does not give any advice or take any action with respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. The Adviser promptly passes along any proxy voting information to the clients or their representatives.

---

## **FINANCIAL INFORMATION**

---

### **Financial Condition**

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements to which it is subject and JCI has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

---

## **BUSINESS CONTINUITY PLAN**

---

### **General**

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

---

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

---

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

---

### **Loss of Key Personnel**

To the extent key personnel in the company are lost, JCI will transfer specific day-to-day duties to the key personnel in the companies with which JCI has an affiliation.

---

### **Summary of Business Continuity Plan**

A summary of the business continuity plan is available upon request to JCI's Chief Compliance Officer.

---

## **INFORMATION SECURITY PROGRAM**

---

### **Information Security**

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached. This also includes a secure email channel through which client documents may be shared via an encrypted service, ensuring privacy and security of client-sensitive information.

---

### **Privacy Policy/Notice**

Below is a summary of JCI's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is delivered to each new client, and to existing

clients on an annual basis. A copy may be obtained by contacting the Compliance Officer of JCI.

Jolliffe Capital, Inc.:

- a) Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms;
  - Information about clients' transactions with JCI, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
  - Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
  - Information received from service bureaus or other third parties.
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;
  - To resolve customer disputes or inquiries;
  - With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
  - To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the customer's instruction or consent.
- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.



- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.