

Item 1 - Cover Page



Form ADV Part 2A - Firm Brochure

DeRoy & Devereaux Private Investment Counsel, Inc.
(DBA DeRoy & Devereaux)

August 7, 2015

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This brochure provides information about the qualifications and business practices of DeRoy & Devereaux Private Investment Counsel, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above.

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. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about DeRoy & Devereaux Private Investment Counsel, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

The date of the last annual update of this brochure is November 18, 2014.

There have been no material changes in the brochure since the last annual update.

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Item 4 - Advisory Business

RAC Investment Advisors, the predecessor of DeRoy & Devereaux, was established in 1979 by Arthur DeRoy Rodecker to provide investment management services to the DeRoy Testamentary Foundation. In May of 2002, Mr. Gregg D. Watkins joined Arthur Rodecker at RAC Advisors, acquired an ownership interest in the firm, and renamed the firm DeRoy & Devereaux (the “Adviser” or “D&D”). D&D is a privately-held C-Corporation whose ownership is comprised of three shareholders: Sean A. Metrose, Jeffrey W. Wardlow, and Gregg D. Watkins. The Adviser is 100% employee owned by the aforementioned.

Individually Managed Separate Accounts

D&D provides investment advisory services for individuals, families, foundations, pension plans and other institutional investors (“Clients”) on a discretionary basis. The Adviser actively manages diversified portfolios of publicly traded stocks and bonds for investors whose objectives are long-term capital appreciation and income growth. The Adviser may recommend all types of equity and debt securities, including, but not limited to, common stocks, preferred stocks, corporate bonds, U.S. Government securities, mortgage-backed securities, convertible securities, warrants, foreign securities, American Depositary Receipts, shares of investment companies including exchange-traded funds, and commercial paper. Clients may impose reasonable restrictions on investing in certain securities or security types.

Services are limited to investment management and do not encompass financial or estate planning, custody, or brokerage. D&D does not undertake to vote corporate proxies on behalf of our clients, except when specified by our investment management agreement or similar client agreement. Proxy voting services (performed by an unaffiliated third-party) are negotiable. Assets under management total just over \$945,000,000 as of September 30, 2014, all of which are managed on a discretionary basis. The Firm also had non-discretionary assets of just over \$87,000,000 as of September 30, 2014. Non-discretionary assets include assets under administration from Unified Managed Accounts (“UMA”) and other model-based strategies. D&D manages portfolios consisting primarily of equity and fixed income securities, so advice is limited to these types of investments.

Wrap or Dual Contract (“SMA”) Account Programs

D&D participates in wrap fee advisory programs sponsored by unaffiliated advisers, broker-dealers, or banks (collectively, the “Sponsors”). Under these programs, the Sponsors are responsible for selection or facilitating the selection of advisers, pre-screening client suitability, most aspects of direct client services, and operations. Clients of the Sponsors are provided separate account advisory services. Trades are generally placed with brokers specified by the Sponsors. In determining whether to establish a wrap fee program account, a client should be aware that the overall cost to a client in a wrap fee program may be higher or lower than the client might incur by purchasing the strategies available in the wrap fee program directly from D&D.

Additionally, D&D may provide investment advisory services to SMA Accounts through dual contract managed account programs. In a dual contract program, D&D provides its advisory services pursuant to an advisory agreement directly with the client. A client may separately arrange with one or more third parties for custody, financial advisory and certain trading services to be provided on a partially-bundled or unbundled basis. In a partially-bundled program, certain of such services (typically custody, financial advisory, and certain trading) are provided for a bundled fee arrangement. In an unbundled arrangement, such services are contracted, provided and paid for separately.

Model Portfolio Account Programs

D&D provides certain clients who are investment advisers (“Model Clients”) with one or more model portfolio(s) for discrete assets classes. Each of these Model Clients uses the model portfolio(s) created by D&D as the basis for investment strategies that they offer to their clients. D&D does not create the model portfolio based upon the individual or particular needs of clients in the program, or any other person, but based upon what D&D believes is an appropriate allocation and weight of securities for each strategy. D&D Model Clients have discretion to determine how and when to act upon the recommended changes to the model portfolio provided by D&D and D&D has limited or no trading authority in such arrangements.

Item 5 - Fees and Compensation

Clients are generally charged quarterly fees in arrears. Fees are based on the trade date appraisal value of portfolio cash and securities at the end of the calendar quarter. In limited circumstances and at the client’s request, D&D may agree to bill a Client in advance based on the inception value of the account and thereafter each quarter based on the valuation date agreed upon in the Client’s agreement. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Clients may authorize their designated custodian to deduct our fees directly from their custodial account or be invoiced directly. D&D normally invoices quarterly in January, April, July, and October. D&D charges Clients no other fees. Clients incur brokerage transaction costs to buy and sell securities. See *Item 12 Brokerage Practices* for additional detail.

Fees are negotiable and may be adjusted to reflect particular account circumstances. These circumstances may include, but are not limited to, the size of the account, account type, nature of account relationship, et cetera. We may provide the same services to D&D family members or friends for no fee or for fees lower than those charged to other Clients. Contracts are cancellable on thirty days written notice by either party. Refunds are not made except in the case where a Client is billed in advance. D&D does not offer performance based fees. D&D does not make price estimates of Client assets. Custodians may charge custodian fees or mutual

fund expenses. Assets are priced with information provided by custodians and other outside vendors.

D&D does not manage any mutual funds. In instances where mutual funds are used in portfolios, Clients may incur both the D&D advisory fees described above as well as investment management fees the mutual funds' advisors charge as described in their prospectus which D&D makes available to Clients upon request. D&D receives no compensation of any kind from mutual fund companies.

Standard quarterly fee rates are as follows:

Individually Managed Separate Accounts

<u>All Cap Equity:</u> 1.0% on the first \$2 million 0.75% on the next \$4 million 0.60% on the next \$4 million 0.50% thereafter	<u>Smid Cap Value:</u> 1.0% on the first \$10 million 0.80% on the next \$15 million 0.65% on the next \$25 million Negotiable thereafter
<u>Balanced:</u> 1.0% on the first \$2 million 0.75% on the next \$4 million 0.60% on the next \$4 million 0.50% thereafter	<u>Fixed Income:</u> 0.40% on the first \$5 million 0.35% on the next \$5 million 0.30% on the next \$15 million 0.25% thereafter

Wrap Fee Programs and Model Portfolio Account Programs

D&D receives a portion of the wrap and/or model management fee for investment management services provided by these sponsors. Advisory fees earned by D&D for wrap fee programs are covered under agreements with the Sponsors and are part of a single inclusive (wrap) fee charged by the Sponsor for investment advisory services, commissions, custody, and administrative costs. Fees for wrap fee accounts are based on the Client's assets under management.

The fee and service arrangements for accounts under any wrap fee program are negotiated between the clients and the Sponsor. The fee paid by the Client to the Sponsor may cover services of the Sponsor and/or its affiliated entities, other than the portfolio management of the Client's account. These services may include, but are not limited to, trade execution and custodial services.

D&D receives a portion of the wrap fee for the advisory services we render to the wrap Sponsor. Wrap sponsors often opt to create their own fee invoices in lieu of ours. In the case of the dual contract managed account program, the Client is charged a fee by the Sponsor and D&D separately. For model accounts, D&D is compensated directly by the outside firms to which it provides model accounts at a negotiated rate.

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

Performance-Based Fees

D&D does not have any performance-based fees.

Side-By-Side Management

D&D does not currently have any side-by-side arrangements such as when a manager also manages hedge funds, mutual funds, performance-based fee accounts or private funds. Yet given that D&D participates in Wrap SMA and Model Account Programs (see *Item 4 Advisory Business*), we have adopted and implemented policies and procedures, including those for trade aggregation, trade allocation, trade rotation, code of ethics and valuation. These are designed to treat Clients fairly and equitably over time.

Furthermore, we are mindful of balancing our portfolio managers' ability to provide quality results and client service with the growth of our business and number of accounts. Although D&D does not track the time a portfolio manager spends on a single account, D&D does periodically assess whether a portfolio manager has adequate time and resources to effectively manage his or her accounts.

Item 7 - Types of Clients

D&D's Clients consist of high net worth individuals, families, foundations, trusts, employee benefit plans, and other institutional investors. D&D's standard minimum account size is \$2 million for individually managed accounts. *Please see Item 4 for additional information.*

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

Methods of Analysis & Investment Strategies

The Adviser employs a strategy best described as a value approach to equity and bond investing. D&D invests in equities across all market cap sizes and in bonds of all investment quality grades depending on Client goals and risk tolerances. D&D uses fundamental analysis to assess securities' intrinsic value by examining relevant economic, financial, and other qualitative and quantitative factors that can impact the value of a security. D&D is attempting to identify securities that it believes have attractive or improving fundamental characteristics and that can be purchased at undervalued prices. D&D utilizes several valuation methods for comparisons of peer companies to determine whether it believes a security is undervalued.

D&D invests primarily in equity and fixed income securities. The equity portion of managed portfolios typically consist of 40-60 issues selling at what D&D believes to be a discount to their

fundamental investment value, a judgment that is subjective in nature. Stocks may be owned across all market capitalization ranges and style classifications. Portfolios frequently maintain sector and industry weightings significantly different from the market indices', which may lead to increased volatility. The investment time-horizon of D&D allows for adverse short-term results as long as it is believed a portfolio's prospects for optimal long-term returns are enhanced. The Adviser professes no ability to forecast market fluctuations or predict the absolute level of future returns. The portfolios of Clients are managed individually, and no representations regarding uniformity of management or results are made.

D&D also has discretion to invest in other investments including, but not limited to, exchange traded funds, mutual funds, and master limited partnerships, as it deems suitable for the goals of its Clients or at the direction of Clients.

Risk of Loss

Each investment has a differing level of risk. In order to obtain a higher rate of return on investments, the investor must typically accept a higher level of risk. Investing in equities, bonds, exchange traded funds and mutual funds involve risk of loss and volatility of returns that Clients should be prepared to bear. There are no guarantees that an investment strategy will be successful or that Clients will reach their goals.

In addition to D&D's estimates or opinions about the intrinsic value of a company being incorrect, there are other risks to consider. These risks include, but are not limited to market risk, security selection risk, sector/industry concentration risk, portfolio concentration risk, style risk, foreign security risk and liquidity risk.

Securities are subject to stock market risks, such as rapid fluctuations in price or liquidity due to news and general economic conditions in both domestic and international markets, overall stock market trends, investor perceptions and interest rates. Individual securities are also subject to earnings and other developments specific to a particular company as well as available trading volume.

Portfolios may maintain sector or industry weightings significantly different from the market indices, which may lead to increased volatility. Negative news or events specific to a sector or industry may cause a decline in an account's value. Additionally, a particular style of investing may fall out of favor relative to other styles.

In general, foreign securities may be subject to different economic and portfolio environments, different accounting and regulatory practices, information availability and currency fluctuations. We typically use American Depositary Receipts (ADRs) which represent shares in a foreign stock that is traded on a U.S. exchange. ADRs do not eliminate these types of foreign securities risks and may also be subject to additional fees or taxes that are not normally charged when trading in U.S. securities.

Fixed income securities are also subject to certain risks such as credit risk, interest rate risk, prepayment and extension risk and liquidity risk.

Item 9 - Disciplinary Information

As a registered investment advisor, D&D must disclose information regarding any legal or disciplinary event that would be material to a Client's evaluation of the Adviser. D&D does not have any legal or disciplinary events to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

Neither the Adviser nor the Adviser's management persons have registered, or have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

Neither the Adviser nor the Adviser's management persons are registered, or have an application pending to register, as a futures commissions merchant, commodity pool operator or commodity trading advisor, or as an associated person of any such entity.

The Adviser does not recommend or select other investment advisers for its Clients that pay compensation directly or indirectly to the Adviser. Nor does the Adviser have any other business relationships with investment advisers that create a conflict of interest.

Subject to D&D's Code of Ethics as outlined in Item 11 below, employees of D&D may buy or sell investments for their personal accounts that are also recommended to D&D clients or purchased for client accounts. All client accounts will be treated in a fair and equitable manner.

D&D's employees may also serve on charitable boards, as trustees or maintain wholly owned private holding companies with no financial industry activities or affiliations. These outside activities do not involve a substantial amount of the supervised person's time.

Laree Perez sits on the Board of Directors of Martin Marietta Materials Inc. (a publically traded company) where she is the Chair of the Finance Committee and also serves on the Audit and Environmental and Health and Safety Committees. Laree is also on the Board of Directors of a private company, Sunset Memorial Cemetery and is a limited partner in a commercial real estate property, Leyenda En Tiempo, LLC located in Tucson Arizona. Martin Marietta is on the Firm's restricted list and as such is prohibited from buy or sale transactions in client or personal accounts.

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

D&D recognizes that it is a fiduciary and therefore must serve the interests of its Clients. As a fiduciary, it must adhere to the highest standard of care and diligence in conducting its business activities as is required by law and must be particularly sensitive to situations in which the interests of its advisory Clients may be directly or indirectly in conflict with those of the Adviser or its related persons. Compliance obligations are a priority of the Adviser and, as such, the Adviser has adopted written policies and procedures in accordance with those standards.

DeRoy & Devereaux places heavy emphasis on ethical behavior both on the part of the company and its employees. D&D's claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by CFA Institute. The Adviser has incorporated the CFA Institute Code of Ethics and Standards of Professional Conduct into its Code of Ethics. Copies of the D&D Code of Ethics are available to Clients and prospective Clients upon request.

The Adviser has adopted a Code of Ethics intended to limit conflicts of interest in cases where the Adviser, any of the Adviser's employees or any of their related persons, buy or sell securities traded on behalf of Clients for their own accounts. The Code of Ethics states that the Adviser's employees and related persons must act in the best interest of Clients and avoid engaging in business activities, including personal investments, that create or appear to create a conflict of interest, and is intended to prevent and detect such conflicts or potential conflicts of interest. Transactions on behalf of Clients always take priority over transactions for DeRoy & Devereaux's employees. In addition, all employees are required to receive preapproval from the Chief Compliance Officer ("CCO") or his or her designee on security transactions made in which the individual has control and a beneficial interest with the exception of security transactions worth less than \$10,000, which do not require preapproval under our de minimis rule. The CCO uses the \$10,000 as an approximate level in recognition of the fact that equity prices generally change within a given trading day. Annually all employees submit their investment holdings for review by the CCO. As a policy, D&D does not invest Client assets in the stock or debt of any corporation for which a D&D employee or related person serves as an officer or director.

Item 12 - Brokerage Practices

Research and Other Soft Dollar Benefits

Advisers must seek to execute securities transactions for clients in a manner that the client's total cost or net proceeds in each transaction is the most favorable under the circumstances. As a fiduciary, we are obligated to seek best execution for our client transactions. Best

execution is not formally defined in the U.S. federal securities laws and the definition of the term is not uniform across the securities industry.

Where D&D has been given full discretion over accounts, we are responsible for choosing the broker-dealers used for each client's transactions. D&D seeks to execute securities transactions for clients in a manner that the client's total cost or net proceeds in each transaction is the most favorable under the circumstances occurring at the time of a transaction. The crucial factor is whether a transaction represents the best qualitative execution and as such, price is not the only factor to consider. D&D considers the ability of the chosen firm to achieve executions in the most favorable manner taking into account a number of factors. In selecting the appropriate broker-dealer to execute each particular transaction, D&D takes into account the full range of and quality of services provided by the broker-dealer. These items may include, but are not limited to: the value of the research provided by the broker, reputation and perceived expertise of the broker, the broker's execution capability, customer service, ability to facilitate Client requested transfers and payments to and from accounts (e.g., wire transfers and check requests), the commission rate charged by the broker, and the broker's responsiveness to D&D. Given that fixed-income markets have different characteristics than equity markets (e.g., more fragmented, less transparency, etc.), D&D may emphasize some of the factors listed above more than others.

It is not necessary to maintain trade by trade evidence of the achievement of best execution. D&D will comply with all relevant Securities and Exchange Commission ("SEC") record keeping requirements.

D&D considers the value of research and additional brokerage products and services a broker-dealer provides to our clients and firm when it selects broker-dealers for client transactions. Under the safe harbor set forth in Section 28(e) of the Securities and Exchange Act of 1934, D&D may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions in recognition of the receipt of these additional products and services. D&D may use client commissions to pay for brokerage and research services. Brokerage commissions generated by the trading activities of one Client may be used to provide research to assist D&D in carrying out its responsibilities both for that Client account, as well as other accounts without tracing benefits to commissions generated by a particular Client account. As a fiduciary, we endeavor to always put our clients' interests first, but clients should be aware that the receipt of these benefits by our firm is considered to create a conflict of interest.

Research services provided by brokers may include information on individual securities, industries, risk measurement analysis, performance analysis, economic, and portfolio strategy. Research services may be received in the form of access to databases of financial information, written reports, telephone contacts and personal meetings. D&D believes that access to independent investment research is beneficial to its investment decision-making processes and, therefore, to its clients. Research provided by brokers includes not only proprietary research, but also research developed by unrelated third-parties. The Adviser has a soft dollar

arrangement with a broker who pays a portion of the fees for a third party research software application that provides analysis of securities and portfolios as well as an arrangement with a third party research company. In order to receive this benefit, the Adviser must direct transactions to the brokerage firm. Trades placed with this broker may be executed at a rate higher than is available elsewhere. However, the benefits to the Adviser and its collective Clients are deemed to be greater in aggregate than the additional cost which may accompany such transactions. Broker commission targets are set annually and reviewed periodically. Any services which are partly for research and partly for administrative, marketing or other purposes outside of the safe harbor are prorated; D&D pays cash for the portion that is not research-related. This allocation decision is made in good faith.

D&D receives services from several brokerage firms that 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 D&D's fees from its Clients' accounts; and assist with back-office functions, record keeping, and Client reporting. The Client account and trade related services are available to D&D regardless of the commission generated.

All benefits received from brokerage commissions, regardless of the type of benefit, aid the Adviser and its employees in the investment decision-making process, trade execution, and/or functions performed incidental to effecting securities transactions. Furthermore, D&D makes a good faith determination that the amount of commission is reasonable in relation to the value of brokerage and research services provided by the broker-dealer.

Brokerage for Client Referrals

D&D does not receive Client referrals from any broker-dealer or third party for the use of such services.

Directed Brokerage

It is the policy of the Adviser to place no discretionary brokerage business with any brokerage firm associated with a related person. D&D does not have an affiliated custodian or broker-dealer.

When a Client specifies directed brokerage (or commission recapture, etc.), either as compensation for custody services or otherwise, D&D may be limited in its ability to aggregate trades with other client accounts or from effectively negotiating brokerage commissions on their behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Directed brokerage may have a negative impact on performance, as commissions may be higher than those charged to our other Clients and/or executions may be at prices different from those of our Clients who do not direct us to use a specific broker or dealer. Thus, when directing brokerage business, Clients should consider whether the commission expense, execution, clearance, and settlement capabilities that will be obtained through their broker are adequately favorable in comparison to those that we would otherwise obtain for Clients. D&D

may be limited in its ability to achieve best execution and/or negotiate commissions resulting in a Client paying higher commissions or receiving less favorable pricing.

Block Trading/Aggregation of Trades & Trade Allocation

Individual Client trades may be (but are not required to be) aggregated or “blocked” when D&D determines this arrangement is in the Client’s best interest. Allocations of aggregated trades will not disproportionately benefit particular Clients. D&D principal, officer, or employee trades will not be aggregated with Client trades. If an aggregated trade order is still open and new orders for the security being traded as a block trade are received by the trader, the new orders may become a part of the existing aggregated order for that security. Clients with directed or designated brokerage arrangements or investment restrictions may be precluded from participating in “blocked” trades. Non-blocked trade orders for strategy model changes will generally be placed after blocked trade orders.

The Adviser will determine the allocation of securities before the trades are entered. If we do not receive our full allocation the trade will be prorated (with reasonable rounding of lots) across the clients originally identified to participate in the trade. However, if the partial fill is determined to be inappropriate for an account such that the number of shares for a particular account would be too few to warrant the investment or result in costly per ticket brokerage charges, then shares may not be allocated to that account. Exceptions to this policy will be documented. In no event shall one client be given preference over another client for the allocation of trades on the basis of factors not driven by the appropriateness of the investment in that security under the circumstance at that time. The traders monitor the allocation of trades throughout the day to ensure that this policy is being followed.

D&D’s Clients in our All Cap Equity strategy participate in a trade rotation procedure as it relates to strategy model changes. This is designed to provide fair treatment to our similar Clients in managed account platforms (such as SMA Wrap or UMA style platforms).

Error Corrections

Client accounts shall not be harmed by the occurrence of a trade error. Errors are to be corrected in a manner which puts the client account in a position as if the error did not occur. The goal of error correction is to make the client “whole”, regardless of the cost to the Adviser. In the event that a trade error results in a profit, the Adviser does not keep the profit.

Item 13 - Review of Accounts

Accounts are reviewed on an ongoing basis in order to monitor the appropriateness of the portfolio holdings and the asset mix relative to the investment objectives of the Client. Accounts are reviewed by portfolio managers who have 15 years or more of investment experience and established relationships with the Clients.

D&D performs internal reviews of accounts both on an ad hoc and a more formal basis. On an ongoing basis, D&D's Management Oversight Committee reviews the investment strategies' adherence to guidelines, overall investment team dynamics and performance relative to benchmarks and peer groups. The portfolio managers normally meet on a weekly basis to discuss individual stocks/securities and general market conditions. Furthermore, portfolio managers formally certify to the CCO on a quarterly basis that they have reviewed their Client's accounts and holdings for suitability given the Client's financial situation, investment experience, and investment objectives. This attestation also includes a certification that portfolios are in compliance with any investment guidelines or restrictions that a Client has provided.

A portfolio manager may buy or sell a security in an account he manages while not contemporaneously buying or selling the same security for another client account(s) he concurrently manages if he determines that such security is not appropriate for the other account(s). Such factors the portfolio manager may consider include client restrictions, available cash, sector weightings of the portfolio, applicable regulatory rules, position weighting desired, client specific investment objections, tax considerations, and other relevant factors.

D&D recognizes that the needs and expectations of a typical private client account may be different than an institutional client and therefore may require a more customized approach to account management. In no event shall one client be given preference over another client for the allocation of trades on the basis of factors not driven by the appropriateness of the investment in that security under the circumstance at that time.

The Adviser sends out regular reports to Clients on a quarterly basis. Reports include portfolio statements, letters from portfolio managers, and bills with detailed rates. Portfolio managers are willing to meet with clients at least annually.

Reports are generally paper reports sent via mail, unless the Client has requested to receive such reports via email. Information or reports that are sent via e-mail may contain personal or private data or information that a client might otherwise wish to keep confidential. Despite the reasonable precautions D&D has taken to ensure the integrity, confidentiality, and security of this information, unsecured e-mail transmission is not a completely stable environment and could result in delivery failure, interception by unauthorized parties, or delivery to incorrect addresses, even if addressed correctly. These risks exist despite the reasonable precautions D&D has taken to ensure the integrity, confidentiality, and security of this information as well as the precautions we have taken to prevent tampering or other misuse. Clients can contact us at any time if they no longer wish to receive information or reports via e-mail transmission.

Item 14 - Client Referrals and Other Compensation

The Adviser does not receive an economic benefit from anyone other than Clients for providing investment advice or other advisory services to its clients.

At D&D's expense, we pay some of our employees for client referrals as part of their compensation. These supervised persons are not permitted by the Firm to formulate any advice for the client.

Item 15 - Custody

The Adviser does not maintain custody of any Client assets. We are deemed to have technical or a limited form of custody of Client funds or securities in some cases where D&D has client authorization to deduct advisory fees from client accounts. D&D relies on safeguards in these situations including the fact that accounts are maintained with unaffiliated qualified custodians. D&D does not have an affiliated custodian or broker-dealer nor does it accept cash or securities for deposit. We have procedures in place to direct employees regarding the inadvertent receipt of any client funds or securities. While we provide our Clients with quarterly statements of their account status and performance, we encourage our Clients to compare the information contained in the statements we provide with the information that each Client receives from the custodian of their accounts.

Valuation Information

It is important that our clients notify their custodian or D&D if they do not receive statements directly from their custodian at least quarterly. There may be pricing differences between the values reported by the custodian and those values D&D obtains. D&D utilizes qualified custodians or independent pricing services for valuation information. Clients are urged to compare the account statements they receive from the qualified custodian with the account statements they receive from the Adviser.

For purposes of fee and performance calculations, we utilize our portfolio accounting system values and not the custodians unless we are directed otherwise in writing. However, our Clients' custodians are the official record-keeper for capital gain and loss information used for tax reporting. D&D gain/loss reports are provided for convenience and as a guide only.

Item 16 - Investment Discretion

D&D invests the assets of Clients on a discretionary basis. Unless Clients provide restrictions on certain securities, and/or sectors, the portfolio manager will select issues identified as being in the best interest of the Client.

Item 17 - Voting Client Securities

D&D does not usually vote proxies for Clients, who should expect to receive proxies or other solicitations directly from their custodian. Clients may contact the Adviser regarding voting securities to receive instructional direction on the steps necessary to vote.

The Adviser has agreed to vote proxies for Clients who have requested such a service on an exception basis. An independent, third-party has been secured to assist in the research, voting and record keeping. Final voting decisions are based on pre-established set of policy guidelines and the recommendations of the third-party which makes its recommendations based on independent, objective analysis of the economic interests of shareholders. While recommendations proposed are usually used, the Adviser has the ability to override the recommendation, which it will do only if it believes it is in the best interest of the Client. At all times, voting for a Client is documented and reasons are provided for not following a recommendation. Clients can obtain information about how the Adviser voted the Client's securities and a copy of the Adviser's voting policies and procedures at any point by contacting the Adviser. If a conflict of interest is identified which may affect D&D's ability to vote proxies in the Client's best interest, the Adviser will follow the voting recommendations of the hired third-party and will not override these recommendations.

An independent, third-party has been secured to provide class action litigation monitoring and securities claim filing services for Clients who opt for this service. The third party charges a contingency fee for this service which is subtracted from any award settlement the Client receives. D&D will not derive any compensation for the services provided by the third-party provider.

Item 18 - Financial Information

The Advisor is not aware of any aspect of its financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to its Clients.