

## FORM ADV Part 2

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### **Part 2A of Form ADV: Firm Brochure**

**March 24, 2016**

This brochure provides information about the qualifications and business practices of Regatta Research & Money Management, LLC. If you have any questions about the contents of this brochure, please contact us at 504.831.4636 ext. 5 or email us at [info@regattaresearch.com](mailto:info@regattaresearch.com). Reference made to the firm as being “registered” does not imply any particular level of skill or training. 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 Regatta Research & Money Management LLC also is available on the SECs website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2: Material Changes from Last Brochure:**

This Item 2 is used to provide our clients with a summary of new and/or updated information. Consistent with SEC rules, we seek to ensure that our clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide interim disclosure regarding material changes as necessary.

The last annual update of this Brochure was filed by Regatta Research & Money Management, LLC (“Regatta”) with the SEC in March 2015. Please review carefully the following material changes that have been made since the last update:

- Item 4 and 5 have been amended to offer a more expansive description of the services offered by Regatta as well as the fees charged for those services.
- Item 8C – Risk of loss associated with various investment vehicles has been updated.
- Item 11 – Code of Ethics: We have updated our disclosures about our Code of Ethics.
- Item 13 – Review of Accounts: We have updated our disclosures about who performs account reviews.

Please note that the foregoing summarizes material changes made to this Brochure since our last updating amendment only.

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## ITEM 4: Advisory Business

Regatta Research & Money Management, LLC (Regatta) provides fee-only investment advisory services, more specifically financial planning, asset allocation and investment management services. The principal owners of Regatta Research & Money Management LLC are Eric A. Greschner and Rudy J. Blanchard. Regatta Research & Money Management LLC has been in business since 1998. Regatta Research & Money Management, L.L.C. does not offer tax, accounting, estate planning, or legal advice. Investment management services may be in-house or outsourced to third party managers. These investment portfolios offer a wide range of risk and performance objectives. Regatta may also suggest that clients use a custodian other than a broker-dealer, such as a bank or trust company. All such custodians are unaffiliated with Regatta and contract directly with the Client.

### PORTFOLIO MANAGEMENT AND ASSET ALLOCATION SERVICES:

Regatta provides ongoing portfolio management or asset allocation services to each client based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Regatta develops a client's personal investment policy and creates and manages a portfolio based on that policy. Regatta primarily manages advisory accounts on a discretionary basis. Account supervision is guided by the stated objectives of the client.

Regatta will create a portfolio consisting of one or all of the following, as appropriate: individual equities, bonds, other investment products, and no-load or load-waived mutual funds and ETFs. Under certain circumstances, based on the client's need, a portion of the client's portfolio may also be allocated to private funds including, hedge funds, private equity or private real estate funds. Regatta will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Mutual funds and ETFs will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. (See Item 8 of this Brochure for more information regarding our methods of analysis and strategies used in managing client accounts as well as the risks inherent in these approaches).

Regatta's asset allocation approach to managing a client's account will generally utilize model portfolios. Each model portfolio is designed to meet a particular investment goal. In order to ensure that Regatta's initial determination of an appropriate model continues to be suitable and that the client's account continues to be managed in a manner fitting the client's financial circumstances, Regatta will maintain client suitability information in the client's file and requests that the client promptly contact Regatta in the event of a material change to his/her financial circumstances.

Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities. Regatta will monitor Portfolio Management Services accounts at least quarterly and

will rebalance as appropriate. (See Item 13 of this Brochure for more information regarding account reviews and reviewers). If Regatta believes that a particular investment is performing inadequately, or if Regatta believes that a different investment is more suitable for the portfolio's goal, then Regatta will reinvest the client's assets accordingly pursuant to the discretionary authority granted by the client.

## MONEY MANAGER PROGRAMS

In addition to its own portfolio management services, Regatta provides access to investment service programs in which client accounts are managed by independent third party investment advisers. These programs provide additional investment opportunities among mutual funds, variable annuities, stocks, bonds, and additional securities.

Based on a client's individual circumstances and needs, Regatta will recommend an appropriate investment program to the client. Factors considered in making this recommendation include account size, risk tolerance, the opinion of each client and the investment philosophy of the third party independent adviser. Regatta will assist the client in reviewing the client's income and expenditures, investment objectives, risk tolerance, liquidity requirements, investment restrictions and other relevant factors. Regatta will provide this information to program sponsors selected by the client.

Regatta will meet with the client on a regular basis, or as determined by the client, to review the account. Regatta will contact the client on at least an annual basis to review the client's investments. Regatta will also provide updated information about clients' financial circumstances as necessary to program sponsors.

During regular account reviews, if Regatta believes a different program becomes more suitable for a client's particular needs, then Regatta may suggest that the client contract with a different program sponsor. Under this scenario, Regatta will assist the client in selecting a new program. However, any move to a new program is solely at the discretion of the client.

## FINANCIAL PLANNING SERVICES:

Regatta also provides advice in the form of a Financial Plan. Clients purchasing this service will receive a written report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

In general, the financial plan may address any or all of the following areas of concern:

- *PERSONAL*: Family records, budgeting, personal liability, and financial goals.
- *BUSINESS*: Business valuation, planning and other business related issues.
- *EDUCATION*: Education IRAs, financial aid, state savings and 529 plans, grants and general assistance in preparing to meet dependent's continuing educational needs through development of an education plan.
- *TAX & CASH FLOW*: Income tax and spending analysis and planning for past, current and future years.
- *RETIREMENT*: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- *INVESTMENTS*: Analysis of investment alternatives and their effect on a client's

portfolio.

Regatta gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared. Should a client choose to implement the recommendations contained in the plan, Regatta suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Financial Planning recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

#### CONSULTING:

Clients can also receive investment advice on a more limited basis. This may include advice on an isolated area(s) of concern such as retirement planning, reviewing a client's existing portfolio, or any other specific topic. Additionally, Regatta may provide advice on non-securities matters. Generally, this is in connection with the rendering of and/or annuity advice.

As of December 31st, 2015 Regatta had \$129,274,659 in assets under management.

## ITEM 5: Fees and Compensation

#### PORTFOLIO MANAGEMENT AND ASSET ALLOCATION SERVICES MONEY MANAGER PROGRAMS:

- (1) Regatta's management fees are negotiable from the inception of and during the execution of the management agreement and are applied to all assets under management at Regatta including active and passively managed vehicles, concentrated and alternative liquid and illiquid positions, in house managed portfolios and those outsourced to a third party money manager. Fees depend on a variety of factors including, but not limited to: the nature of the Client's goals and circumstances, the amount of the Client's assets managed by Regatta, changes in the Client's risk profile, increased or decreased allocations towards fixed income or stocks, increases or decreases in the Client's non-discretionary activity, increases or decreases in the Client's assets managed by Regatta, the amount of initial or ongoing work required by Regatta, Regatta's desire to strengthen and maintain the client relationship, the introduction of new trading platforms or investments, etc.

Fees are due and payable in advance on the first day of the month that begins a new calendar quarter. Regatta deducts fees from clients' assets or directly bills clients for fees incurred. Clients may select either method. The fees are either directly billed or more often deducted directly from clients' account(s) and a billing statement is sent to the owner of the account on a quarterly basis. Annual fees range from 1/4% to 2% of the client's assets under management. One quarter (1/4) of the annual management fee is charged in advance for the upcoming quarter. Clients whose funds are submitted for management after the last day of the previous quarter but before the first day of the last month of the current quarter are billed on a pro-rata basis for the remaining days of the current quarter. Only additions over ten thousand dollars, whether in one deposit or multiple deposits, will be billed pro-rata. For additions that do not meet the di minimus

exception, there will be no pro-rata charge. At Regatta's sole discretion the money management fee may be reduced or waived for certain classes of clients such as current or former employees, relatives, solicitors, clients who are experiencing economic hardships, etc. In the event of Client termination, Regatta will calculate the fee to be refunded to the Client using a daily basis calculation to the end of the quarter in which the management fee was paid.

- (2) In addition to Regatta's fees as set forth above, Money Manager Program clients should will separately incur the fees charged by third party managers for their services. If a third party manager is utilized, this layering of fees will lower the client's overall return.

For additional information on fees, see Investor Bulletin: How Fees and Expenses Affect Your Investment Portfolio @ [www.sec.gov](http://www.sec.gov)

#### FINANCIAL PLANNING SERVICES:

Financial planning fees will be calculated based on a charge of \$200 to \$300 per hour depending on the nature and complexity of the individual client's personal circumstances. The length of time it will take to provide a financial plan will depend on each client's personal situation. All fees are agreed upon prior to entering into a contract with any client. Fees are due and payable upon completion of the plan. There is no minimum financial planning fee.

If a Financial Planning Services client implements investment recommendations by engaging Regatta for Portfolio Management Services, Regatta may, at its discretion, waive, discount, or adjust Financial Planning fees for Portfolio Management Services fee

#### CONSULTING SERVICES:

For consulting services, Regatta charges fees ranging from \$200 to \$400 per hour. Fees for consulting services are charged after services are rendered and are non-refundable.

For purposes of the following discussion, unless otherwise specified, the term "investment" includes among other vehicles: mutual funds, exchange traded products, stocks, options, bonds, certificates of deposit, hedge funds, managed commodity pools, non-publicly traded REITs, limited partnerships, private placements, annuity sub-accounts, structured products, insurance or other investment products having unit values determined on a daily basis, quarterly basis, etc.

Investment vehicles such as mutual funds, variable annuity sub-accounts, Exchange Traded Fund products, managed futures, hedge funds, REIT companies, etc. charge a fee which is assessed as an expense on an ongoing basis and are paid from Clients' assets. Such fees include administrative fees, management fees, shareholder servicing fees and certain other fees, etc. all of which reduce the net asset value of the shares of the investment vehicle utilized.

Clients of Regatta who are invested in these vehicles are, in effect, paying two advisory fees. Clients pay a management fee to Regatta based on the market value of the Client's assets under Regatta's management and Clients indirectly or in some cases directly, pay additional fees and expenses to the mutual fund, annuity company, ETF sponsor, REIT, separately managed accounts, hedge fund sponsors, etc, on the underlying investment as

disclosed in the prospectus and related disclosure documents. Furthermore, variable annuities charge additional expenses in the same manner, including mortality and administrative charges. Additionally, custodians such as Fidelity, Jefferson National, Wells, CNL, etc. may charge an annual maintenance fee depending on the account type, size of the account, whether or not the account has systematic investing plan, whether it is a conventional or alternative investment, etc. There are fees associated with TransAmerica RetireOne and Advisor Elite variable annuities for insuring that the dollar value of the account used for annuitization does not fall below a certain dollar level. With certain investments such as managed commodity pools or hedge funds, there may be 3 levels of fees if a feeder fund is utilized; Regatta's, the feeder fund's, and the hedge fund's fee. More information can be found on page 6.

Clients should be aware that the Internal Revenue Service has taken a position in at least one private letter ruling that payments of advisory fees directly from an individual annuity (as opposed to an annuity that is part of a tax-qualified plan) constitute taxable distributions to the owner of the contract. Many insurers issue 1099 forms each year reflecting advisory fees paid from the annuity. In the event the IRS is successful in establishing fee payment as a distribution, the annuity contract owner would be liable for federal income tax on the amount distributed and may incur a 10% early distribution penalty if the owner is under 59 ½, and/or additional costs as well. Clients are urged to consult their tax advisers for advice.

- (3) Real Estate Investment Trusts (REITs): Regatta may recommend and implement recommendations for clients to purchase shares of non-publicly traded Real Estate Investment Trusts, such as CNL, Inland, Behringer Harvard, etc. Clients of Regatta purchase shares of offered Real Estate Investment Trusts at a discounted price as Regatta does not accept commissions on the purchase of same. Due to the discounted price, clients receive an increased number of shares for the dollar amount invested as opposed to investors who purchase the shares via a commissioned Registered Representative. The total number of shares held is the basis for the payment of dividends over the life of the investment. If redeemed before maturity, the Client does not receive the value of the additional shares. However, if the Client holds the shares to maturity, the Client retains the additional shares to sell. Total assets under management, for the purposes of Regatta Research & Money Management's fee calculation, include the aforementioned additional shares. If the Client redeems the shares prior to maturity, therein not retaining the benefit of the additional shares, Regatta will rebate the fees assessed on the additional number of shares during the holding period. If the Client holds the shares to maturity, therein retaining the benefit of the additional shares, the rebate of fees will not apply.
- (4) Fidelity: Regatta has an arrangement with National Financial Services, LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Regatta with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Regatta in managing and administering clients' accounts include software and other technology that (i) provide access to client account data, such as trade confirmations and account statements; (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping



and client reporting.

Fidelity also offers other services intended to help guide Regatta in managing and developing its advisory practice. Such services include, but are not limited to, access to discounts, performance reporting, financial planning software, customer relationship management software, third party research, publications, invitations to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Regatta may contract directly with.

Regatta is independently operated and owned and is entirely independent from Fidelity. Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts. Fidelity provides access to many no-load mutual funds and ETFs without transaction charges and other no-load funds and ETFs at nominal transaction charges.

It is Regatta's intention to primarily use mutual funds that are in Fidelity's Institutional Funds No Transaction Fee (NTF) network or ETFs that do not have transaction fees. Purchases or sales of funds in Fidelity's NTF mutual fund network do not result in commissions or transaction fees being charged to a Client. However, short-term redemption fees may occasionally apply.

Funds that are purchased or sold that are not in Fidelity's Institutional Funds No Transaction Fee (NTF) network or ETFs, are subject to a transaction fee on the purchase and sale and are paid by the Client. The fee schedule for Funds that are purchased or sold that are not in Fidelity's Institutional Funds or ETF No Transaction Fee (NTF) network, are listed below. Regatta may, at its sole discretion, refund short-term redemption fees on mutual funds, ETFs, stocks, etc. to a Client.

In some cases Regatta may choose the option of obtaining fixed income products such as bonds or structured products from an outside vendor other than Fidelity. This action requires a Prime Brokerage Services Agreement and is subject to certain federal/company guidelines. For use of this service at Fidelity, an account is required to have a minimum account balance of \$125,000 and a valid Prime Brokerage Service agreement. Fidelity will charge a \$10.00 placement fee per traded for certain fixed income and structured products obtained in this manner.

Regatta obtains in advance a one time, written discretionary authority to execute the type of transactions it deems necessary to implement Regatta's investment strategies selected by the Client. However, such discretion does not extend to withdrawal of client funds, except where the Client has authorized withdrawal of Client funds for investment management fees due to Regatta, and then only to the extent of such fees.

Transaction Fee Funds Schedule via Trade Desk: Minimum trade fee for transaction fee trades using the Trade Desk is \$30.00.

Transaction Fee Trades utilizing Wealth Central: Minimum trade fee for transaction fee trades using the Fidelity Wealth Central software is \$30.00.

Trades for Equities via Trade Desk: Five cents a share with a minimum of \$29.95 per trade.

Trades for Equities via Wealth Central: 1–3,000 shares: \$10.00 + \$.010 for each additional share above 3,000 shares. Maximum: 5% of Principal. All trades cannot exceed a maximum of 5% of principal.

Trades Placed via International Desk: All countries except Canada \$40 + 30 bps. Canada: under \$1.00 a share is .01/share and over \$1.00 is .03/share.

Reduced stock trade commission schedule for eligible accounts:

The schedule below is available if an eligible account has over \$1 million or if the clients have several eligible accounts and the aggregate balance of those accounts is over \$1 million. The accounts must have a common Social Security number or address. Another option to receive discounted trade costs is for all accounts under the Client's Social Security number to have both electronic statements and electronic trade confirmation. This reduction is available through both automated and trade desk channels. This discount schedule is:

1 – 10,000 shares: \$7.95 + \$.010 for each additional share above 10,000 shares.

Fidelity Wealth Central Options Trades:

Regardless of channel used, the cost is \$7.95 per trade + .75 per contract.

In the event an individual bond is purchased outside of Fidelity, Fidelity charges a transaction fee of \$20.00 on the purchase and on the sale.

The fee schedule for annuities Regatta manages are as follows:

- (5) Prudential Investments: Prudential Investments charges a fee of \$10 a trade after twenty trades if not done online. Prudential Investments charges an annual account fee on contracts less than \$50,000 which is the lesser of \$35 a year or 2% of the total value of all investment options on the contract's anniversary date and on all surrenders.
- (6) Jefferson National: As a custodian Jefferson National does not charge for what may be considered excessive trading but certain fund families may have transaction fees built into the sub-accounts and may limit the amount of trades per year. None of the sub-accounts have a monetary penalty for excessive trading but may restrict future trading in that particular 'Investment Family'.
- (7) TransAmerica: The Advisor Elite variable annuity fees range from 0.60%-1.90%. Annuity fees include the following fees and ranges; Mortality and Administrative Expense, \$30-\$35 annual fee, and investment option management fees. A fund facilitation fee of up to 0.30% annually may apply for certain investment options.

For Prudential Investments and TransAmerica Advisor Elite, initial rider fees range from 0.45%-1.90% annually, depending on the options chosen. The rider fee is deducted for each rider quarter in arrears. For 'Designated Allocation' option fee calculation purposes, the rider fee will be weighted based on the policy value in each respective group as of the beginning of each rider quarter, and will be adjusted for certain policy activity during the rider quarter. The fee is an annual percentage of the 'Withdrawal Base'. See prospectus and other disclosure documents for more information on fees, rider costs, etc.

- (8) RetireOne: Fees range from 1% to 1.75% annually, depending on the Client's asset allocation and are based on the aggregate value of the 'Covered Assets'. Fees are assessed quarterly and can increase with in-force policies (subject to a maximum range of 1.75% to 2.50%). This fee is in addition to any charges imposed in connection with Regatta and other services or charges (including sales loads or brokerage commissions) imposed by (or in connection with) the 'Eligible Assets' in which Client are invested as well as any fees that may apply if held in an IRA account.

### **Transferring Investments with CDSCs; B shares with remaining CDSCs, annuities, etc.**

When considering exchanging variable annuity contracts with contingent deferred sales charges (CDSC) or mutual funds with back-end fees, Client agrees to confirm in writing from a custodian whether or not any surrender charges or penalties be incurred prior to exchanging.

- (9) Structured Product Selling Concessions: Fidelity Investments typically offers "advisor friendly" structured products to fee-only advisors such as Regatta at a discount or with more attractive pricing than those distributed through a commission based structure. Investors receive the structured products net of all fees. A selling concession is the amount of compensation based on the underwriting spread, or the difference between what the public pays for the securities and what the issuing company receives from the sale.

### **Termination of Advisory Agreement**

The Investment Management Agreement may be cancelled on notice by either party in writing at any time and without cause. Any money management fees paid in advance by Client will be refunded on a pro-rata basis upon receipt by either party of written notice of termination of the Agreement. The termination shall be effective on the date of the receipt of written notice. Upon termination by either party, once Regatta completes any outstanding obligation and commitments, the former Client is exclusively responsible for management of their existing portfolio, including, but not limited to buying and selling, as well as monitoring any investment in their portfolio. Provided Regatta is provided with reasonable notice by the Client, liquid securities will be sold and proceeds converted to cash via a money market. It is our policy to sell holdings without a short term redemption fee and sell remaining holdings once the short term redemption fees expire. Provided we are given reasonable notice, third party money managers, separately managed accounts, etc., in general, can place proceeds from sold holdings into a money market. Termination of third party management agreements must be done in accordance with the terms of the third party management agreement.

When an advisory agreement is terminated, the client may receive a refund of any prepaid asset management fees paid to Regatta depending on when during a quarter the termination takes place. If a client requests funds to be sold from a contra firm and thus causes short term redemption fees, Regatta is not responsible for reimbursement of those fees. To avoid any unnecessary fees that may be charged to the client, we request the client contact their advisor so that we can make them aware of any possible fees or penalties that may take place and how to potentially mitigate or even entirely eliminate them.

Note: A Client is not required to terminate any annuity contract or liquidate any mutual fund, structured product, REIT or third party manager when terminating our service. Should a Client

decide to terminate our service, a surrender/redemption charge or penalty or transaction fee may be imposed by the investment provider. Some custodians such as Fidelity may also apply a fee in order to close an account.

## ITEM 6: Performance Fees

Regatta is only paid on assets under management and does not share in performance fees. Based on his role as a managing partner in the TOD Group and not as a Regatta employee, Eric A Greschner accepts performance based fees based on a share of capital gains on or capital appreciation of the assets of all investors. As of March 31<sup>st</sup>, 2013 Denver TOD is closed to new Regatta clients.

## ITEM 7: Types of Clients

Regatta manages assets for individuals, families, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Regatta also manages assets as a Third Party Investment Advisor for other professionals such as Registered Representatives, RIAs and CPAs.

## ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss

Regatta employs the following methods of analysis.

### 8A: Methods of Analysis

*Fundamental analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indication it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Technical analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

- **Cyclical analysis:** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to anticipate the price movement of the security.
- **Charting:** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

*Quantitative analysis:* We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

*Mutual fund and/or ETF analysis:* We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable of the client's portfolio.

*Third-Party Manager Analysis:* We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and other relevant risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

## **8B: Investment Strategies**

Investing in securities involves risk of loss that clients should be prepared to bear.

*Asset Allocation:* We attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and may no longer be appropriate for the client's goals. Asset allocation does not ensure a profit or protect against a loss. Investing involves risk and investors may incur a profit or a loss.

*Long-term purchases:* We purchase securities with the idea of holding them in the clients account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases:* We purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Regatta may also short when investing in certain portfolios. A "short" occurs when a person sells stocks he or she does not yet own. Borrowed shares are, before the sale, used to make "good delivery" to the buyer. Eventually, the borrowed shares must be bought back to close out the transaction. This technique is used when an investor believes the stock price will drop.

Short selling results in some unique risks:

- *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
- *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
- *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.

- *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

Regatta may also use margin directly or indirectly via leveraged ETFs or mutual funds when investing in certain portfolios. Margin is a leverage account in which stocks can be purchased for a combination of cash and a loan. The loan in the margin account is collateralized by the stock; if the value of the stock drops sufficiently, the owner will be asked to either add more cash or sell a portion of the stock.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a “margin call”, and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

*Option writing:* Regatta may also use margin directly or indirectly via leveraged ETFs or mutual funds when investing in certain portfolios. We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.

A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We may use “covered calls” or ETPs and mutual funds that employ covered calls, in which we/the fund sells an option on security you/the fund owns. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

We may use a “spreading strategy”, or ETPs and mutual funds that employ a spreading strategy in which we/the fund purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

## **8C1: Risk of loss associated with investment vehicles**

### **Stocks**

Investing in stocks involves a number of risks including, but not limited to the following:

- Financial risk. The risk that the companies we recommend to you may perform poorly which will affect the price of your investment
- Market risk: The risk of a stock market to decline can decrease the value of the securities we invest in.
- Inflation risk: The risks that the rate of price increase and the economy will lessen the relative returns associated with the stock.
- Political and governmental risk: The risks of the value of your investment may change with the introduction of new laws or regulations.

### **Bonds**

Investing in bonds involves a number of risks including, but not limited to the following:

- Interest rate risk. The risk that the value bond you invested in will fall if interest rates rise.
- Call risk: The risk that your bond will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default risk: The risk that the bond issuer may be unable to pay you the contractual interest or principal in the bond in a timely manner or at all.
- Inflation risk: The risk that the price increase in the economy will negatively impact the relative returns associated with the bond.

### **ETFs**

Investing in ETFs involves a number of risks including, but not limited to the following:

- Market risk: The chance that the underlying index or strategy of the ETF invests in will decline.
- Opportunity cost: The possibility that other investments will perform better.
- Tracking error: The possibility that the ETF's manager will do a poor job of tracking the performance of the underlying benchmark or strategy.
- Lack of Support: Many ETF sponsors provide limited customer support.
- Limited portfolio strategy options: Currently, most publicly available ETFs are passively managed and offer investors few opportunities to maximize gains or limit losses through a portfolio strategy.
- Market pricing: There is no guarantee that the market price of an ETF will be the same as the market value of the ETFs underlying securities.
- Brokerage costs: Trading into and out of ETFs may incur sales commissions and possibly other brokerage fees.



## Mutual funds

Investing in mutual funds involves a number of risks including, but not limited to the following:

- **Manager risk:** The risks that the investment manager of an actively managed mutual funds will fail to execute the fund's stated investment strategy.
- **Market risk:** The risks that the stock market or underlying index or benchmark will decline decreasing the value of securities contained in the mutual funds.
- **Industry risk:** The risks that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- **Inflation risk:** The risks that the rate of a price increase in the economy lessens the relative rate of return associated with the mutual funds.

## Options

Investing in options or investing in mutual funds and Exchange Traded Products that invest in them involves a number of risks including, but not limited to the following:

- The use of put or call options or investing in mutual funds and Exchange Traded Products that invest in them may result in account losses or force the sale or purchase of underlying securities at an inopportune time or at an unfavorable price.
- They may also limit the amount of appreciation an account may realize or cause an account to hold a security it might otherwise sell.
- The use of options or investing in mutual funds and Exchange Traded Products that invest in them as a hedging instrument may involve losses that are greater than the value of the assets in the account.
- Options may not be able to readily sold, resulting in substantial losses.
- Although option hedging strategies or investing in mutual funds and Exchange Traded products that utilize such strategies are used to attempt to minimize the risk of loss, they also tend to limit potential gains.

## Limited Partnerships

Investing in Limited Partnerships is speculative and risky including potentially the entire loss of your investment. Risks include, but are not limited to the following:

- Investments in limited partnership interests are not often registered under the securities laws and may not be able to be readily sold.
- Redemption options may be limited or may not exist at all.
- Because of the limited market for these investments, it is difficult to accurately value the investment over time.
- Generally, you must incur certain criteria in order to be able to invest in limited partnership interest.
- You may also incur tax liabilities which will not receive an associated cash distribution and you may also be subject to alternative minimum tax (AMT).
- Also, be sure to read and make sure you understand the following resources before investing in a Limited Partnerships and Private Placements: Investor Bulletin: Private placements under Regulation D at [sec.gov/answers/regd.htm](http://sec.gov/answers/regd.htm). For more information about restricted securities visit [sec.gov/investor/pubs/rule144.htm](http://sec.gov/investor/pubs/rule144.htm). For the investor bulletin for credit investors visit [investor.gov/news-alerts/investor-bulletins/investor-bulletin-accredited-investors](http://investor.gov/news-alerts/investor-bulletins/investor-bulletin-accredited-investors). For FINRA investor alert about private placements,

visit [FINRA.org/investors/protectyourself/investoralerts/privateofferings/p339650](http://FINRA.org/investors/protectyourself/investoralerts/privateofferings/p339650). For capital NASAA's investor alert about private placements, visit: [NASAA.org/wp-content/uploads/2013/04/private-placements.pdf](http://NASAA.org/wp-content/uploads/2013/04/private-placements.pdf)

## **8C2: Risks of loss associated with investment strategies**

### **Table I: Variables Utilized in Management of Relevant Portfolio**

- (1) Sentiment and behavioral finance models
- (2) Fundamental analysis
- (3) Quantitative analysis
- (4) Technical analysis
- (5) Overall investment environment
- (6) Market timing models

### **Table II: Custodians Utilized**

Regatta Research & Money Management, L.L.C. has selected and engaged the following custodians. The current Custodians available are:

- (1) Fidelity Investments: PO Box 5000 Cincinnati OH 45273
- (2) Prudential Financial: One Corporate Drive  
Shelton, CT 06484
- (3) InvenTrust: 2901 Butterfield Road, Oak Brook, IL 60523
- (4) CNL: PO Box 4920 Orlando FL 32802
- (5) Sterling Trust Co: PO Box 2526 Waco TX 76702-2526
- (6) Behringer Harvard: 15601 Dallas Parkway, Suite 600, Addison, TX 75001
- (7) Jefferson National: P.O. Box 36750, Louisville, KY 40233
- (8) Community National Bank: P.O. Box 210, Seneca, KS 66538
- (9) American Realty Capital: Three Copley Place, Suite 3300, Boston MA 02116
- (10) TransAmerica: 4333 Edgewood Rd NE, Cedar Rapids, IA 52499-0010

The Custodians have assumed responsibility for: (1) receipt and safekeeping of all cash received from clients and for the cash and securities of the Clients' investment accounts; (2) execution of all investment directions from Regatta; (3) maintenance of separate accounting records for each Client's investment accounts; (4) payment from each Client's account of the money management fee; (5) preparation of periodic statements for each client's investment account reflecting the investment activity within the account, all earnings or distributions received on the investments, all additions or withdrawals made by the Client, all other fees or expenses charged to the Client, the value of the account at the beginning and the end of the period, and mailing to each client a periodic statement.

A copy of Regatta's agreement with each custodian is available upon request.

Regatta retains the right to appoint, terminate, and replace the custodians utilized from time to time.

## Notes

If the portfolio is approximately less than or equal to \$14,000 it may be allocated in a more concentrated portfolio, i.e. fewer funds with similar risk attributes, based on Regatta's discretion. The exact dollar amount that will trigger allocation from a more concentrated version of the strategy to the full version will vary and will be at Regatta's discretion.

## Table III: Investment Vehicles

- (1) Mutual funds
- (2) Exchange Traded Products (ETP) i.e. Exch. Traded Funds (ETF) and Exch. Traded Notes (ETN)
- (3) Individual stocks
- (4) Individual bonds
- (5) Certificates of Deposit (conventional)
- (6) Public non-traded REITs
- (7) Annuities and sub accounts
- (8) Insurance or other investment products having unit values determined on a daily basis
- (9) Business Development Companies
- (10) Mortgage notes
- (11) Futures
- (12) Structured products in an SEC Registered Note wrapper
- (13) Structured products in an FDIC insured Certificate of Deposit wrapper
- (14) Regulation D Private Placements
- (15) Preferred Stock
- (16) Master Limited Partnerships
- (17) Hedge Funds
- (18) Managed Commodity Pools

## Table IIIb: Strategies Utilized

- (A) Active Management
- (B) Passive Management
- (C) Hedging
- (D) Spreads
- (E) Shorting
- (F) Market Neutral
- (G) Options

## Third Party Managers: Separately Managed Accounts

- 1) Beaumont Financial Partners
- 2) Northcoast Tactical Growth
- 3) Bluestone Capital Management
- 4) Confluence
- 5) O'Shaughnessy Asset Management

### Third Party Managers: Hedge Funds

- 1) Citadel Multi-Strategy
- 2) Millennium
- 3) Blue Mountain Credit Alternatives
- 4) Corsair Capital Partners

### Third Party Managers: Commodity Pools

- 1) Winton Managed Futures

### Third Party Managers: Private Equity

- 1) Carlyle

### Third Party Managers: Fixed Income

- 1) PIMCO

ADV Part 1, Part 2 and additional information for each wrap account is available upon request.

### Definitions

**Business Development Company (BDC):** A form of publicly traded private equity in the United States that invests in small, upcoming businesses. This form of company was created by Congress in 1980 by amendments to the Investment Company Act of 1940.

**Closed End Fund:** A publicly traded investment company that invests in a variety of securities, like stocks and bonds. The fund raises capital primarily through an initial public offering (IPO). CEF shares and the proceeds are invested according to the fund's investment objectives. "Closed" refers to the fact that, once the capital is raised, there are typically no more shares available from the fund sponsor and the issuance of new shares is closed to investors. After the IPO, every closed-end fund is listed on a national exchange, where its shares are purchased and sold in transactions with other investors, not with the sponsor company itself. When an investor wishes to purchase or sell shares of a closed-end fund, the investor finds buyers or sellers on an exchange such as the New York Stock Exchange (NYSE) or the NASDAQ. The price is determined by market demand and supply, not the fund's net asset value (NAV).

**Hedge Fund:** A hedge fund pools money from investors and invest in securities or other types of investments with the goal of getting positive returns. Hedge funds are not regulated as heavily as mutual funds and generally have more leeway than mutual funds to pursue investments and strategies that may increase the risk of investment losses. Hedge funds are limited to wealthier investors who can afford the higher fees and risks of hedge fund investing, and institutional investors, including pension funds.

**Limited Partnership:** A form of partnership similar to a general partnership, except that where a general partnership must have at least two general partners (GPs), a limited partnership must have at least one GP and at least one *limited partner*.

**Managed Commodity Pool:** An investment structure where many individual investors combine their moneys and trade in futures contracts as a single entity in order to gain leverage. Commodity pools are private. Commodity pools are also called "managed futures funds". The name "commodity pool" is a National Futures Association (NFA) legal term. In the United States, the Commodity Futures Trading Commission (CFTC) and the NFA, as opposed to the Securities and Exchange Commission, regulate commodity pools.

**Master Limited Partnership (MLP):** A type of limited partnership that is publicly traded. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture.

**Mortgage Backed Notes:** Also known as a Mortgage Backed Security (MBS) is a type of asset-backed security that is secured by a mortgage or collection of mortgages. The mortgages are sold to a group of individuals (a government agency or investment bank) that securitizes, or packages, the loans together into a security that investors can buy.

**Preferred Stock:** A class of ownership in a corporation that has a higher claim on its assets and earnings than common stock. Preferred shares generally have a dividend that must be paid out before dividends to common shareholders, and the shares usually do not carry voting rights. Preferred stock combines features of debt, in that it pays fixed dividends, and equity, in that it has the potential to appreciate in price. The details of each preferred stock depend on the issue.

**Structured product issued in an SEC Registered Note wrapper:** A structured product in an SEC Registered Note wrapper places all terms, capital, and any profits are subject to the credit risk of the issuer or guarantor.

**Structured product issued in an FDIC insured Certificates of Deposit wrapper:** A capital protected structured product placed in a Federal Deposit Insurance Corporation (FDIC) insured Certificate of Deposit (CD) wrapper represents the deposit of a specified amount of funds for a fixed period with an FDIC insured bank or saving institution. The CDs are protected by federal deposit insurance provided by the Deposit Insurance Fund (the "DIF"), which is administered by the FDIC and backed by the full faith and credit of the U.S. Government, up to a maximum amount for all deposits held in the same legal capacity per depository institution.

### **Structured Capital-At-Risk (SCARP) Structured Product**

For purposes of this disclosure document, a structured capital-at-risk product (SCARP) is a product, other than a derivative, which provides an agreed level of income growth over a specified investment period and displays the following characteristics: (a) the Client is exposed to a range of outcomes in respect of the return of initial capital invested. (b) the return of initial capital invested at the end of the investment period is linked by a pre-set formula to the performance of an index, a combination of indices, a 'basket' of selected stocks (typically from an index or indices), or other factor or combination of factors; and (c) if the performance in (b) is within specified limits, repayment of initial capital invested occurs but if not, the Client could lose some or all of the initial capital invested, subject to the financial solvency of the issuer.

**Non structured-capital-at-risk (non-SCARP):**

For purposes of this disclosure document, a non-SCARP structured investment product is one that promises to provide a minimum return of 100% of the initial capital invested so long as the issuer(s) of the financial instrument(s) underlying the product remain(s) solvent. This repayment of initial is not affected by the market risk factors in (b) above.

**Regulation D Private Placement:** Private placement (or non-public offering) is a funding round of securities which are sold not through a public offering, but rather through a private offering, mostly to a small number of chosen investors. Although subject to the Securities Act of 1933, securities offered via private placement do not have to be registered with the Securities and Exchange Commission if the security conforms to an exemption from registration as set forth in the Securities Act of 1933 and SEC rules promulgated thereunder. Most private placements are offered under the Rule known as Regulation D. Evaluate the risks before placing them in your portfolio.

**Regatta portfolios**

- 1) Clipper Aggressive Growth
- 2) Clipper Mini
- 3) Mariner Moderate Growth
- 4) Mariner Mini
- 5) Stable Dynamic Growth
- 6) Constellation Taxable Aggressive Growth
- 7) Constitution Taxable Growth
- 8) Income
- 9) Alternative Income
- 10) Total Return
- 11) ETF
- 12) Managed Tail Risk
- 13) Jefferson National No Load Annuity Aggressive Tax Deferred Growth
- 14) Jefferson National No Load Annuity Moderate Tax Deferred Growth
- 15) Structured Capital at Risk [SCARP] Structured Product “Indexed Alpha”
- 16) Capital Protected [non-SCARP] Designed for Current Income
- 17) Capital Protected [non-SCARP] Designed for Capital Appreciation
- 18) TransAmerica Advisor Elite
- 19) TransAmerica Retire One
- 20) Baseline Distressed Real Estate and Debt Opportunities Fund (DRE&DOF)
- 21) LSA Portfolios
- 22) Custom Programs

**1) Clipper**

Objective: To potentially achieve capital appreciation relative to the MSCI World Stock Index over a full market cycle (bull and bear market). This unconstrained strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as vehicles that go long or short, etc.

Investment Vehicles: (1), (2), (3), (11): See relevant Table

Strategies Utilized: (A), (C), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (23): See relevant Table

Fees: (1), (3) See relevant Table

Custodians Utilized: (1), (11) See relevant Table

Notes: (a), (b) See relevant Table

## **2) Clipper Mini**

Objective: To potentially returns relative to the MSCI World Stock Index over a full market cycle (bull and bear market). Relatively speaking, this portfolio tends to be more volatile than Clipper because of the concentrated nature of positions in this portfolio. This unconstrained portfolio could be subject to greater potential upside and downside volatility as compared to the Clipper model including a greater potential risk of loss. This strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as vehicles that go long or short, etc.

Investment Vehicles: (1), (2), (11): See relevant Table

Strategies Utilized: (A), (C), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (23): See relevant Table

Fees: (1), (3) See relevant Table

Custodians Utilized: (1), (11) See relevant Table

Notes: (a), (b) See relevant Table

## **3) Mariner Moderate Growth**

Objective: To potentially generate capital appreciation while attempting to mitigate excessive downside volatility relative to a 100% unhedged equity portfolio, over a multi-year period with a moderate degree of risk. The strategy may change its allocation based on market conditions. This unconstrained portfolio tends to have lower portfolio turnover than the Clipper portfolio. It also tends to invest in larger, more diversified vehicles as opposed to sector or niche funds. This strategy can invest in any sector, in any weighting, market capitalization (Large, Medium, Small

and Micro), style (Value, Growth, or Blend), region or country, as well as vehicles that go long or short, etc. and attempt to mitigate excessive downside volatility.

Investment Vehicles: (1), (2), (3), (11): See relevant Table

Strategies Utilized: (A), (C), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (23): See relevant Table

Fees: (1), (3) See relevant Table

Custodians Utilized: (1), (11) See relevant Table

Notes: (a), (b) See relevant Table

#### **4) Mariner Mini Moderate Growth**

Objective: To potentially generate capital appreciation while attempting to mitigate excessive downside volatility relative to a 100% unhedged equity portfolio, over a multi-year period with a moderate degree of risk. Based on market conditions, the strategy may change its allocation between large equity to large fixed income positions. This unconstrained portfolio tends to trade less than the Clipper portfolio and tends to invest in larger, more diversified vehicles. In general, in the balance between absolute and relative performance versus the major market indices, the focus will be on the former. This strategy can invest in any sector, in any weighting, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as sub accounts that go long or short, etc. and attempt to mitigate excessive downside volatility. As a result of the concentrated nature of vehicles in this portfolio, Mariner Mini portfolio could be subject to greater upside and downside volatility as compared to the Mariner model including a greater potential risk of loss.

Investment Vehicles: (1), (2), (11): See relevant Table

Strategies Utilized: (A), (C), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (26): See relevant Table

Fees: (1), (3) See relevant Table

Custodians Utilized: (1), (11) See relevant Table

Notes: (a), (b) See relevant Table



## 5) Stable Dynamic Growth

Objective: To provide variable equity exposure with the goal of potentially limiting excessive downside market volatility by switching between risky assets such as equities and less risky assets such as fixed income and cash. The strategy will normally use a conservative buy and hold portfolio and asset allocation for its fixed portion and cash, and a more frequent trading style for its leveraged equity portion. In times of volatile markets, this portfolio may eliminate all equity positions to reduce risk relative to the market. From a hierarchy of goals perspective, this strategy primarily focuses on attempting to limit downside volatility, secondarily on capital appreciation and thirdly on outperformance relative to its benchmark. This strategy tends to have lower historical volatility than other portfolios.

Investment Vehicles: (1), (2): See relevant Table

Strategies Utilized: (A), (C), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19): See relevant Table

Fees: (1), (3) See relevant Table

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## 6) Constellation Taxable Aggressive Growth Multi Strategy

Objective: To potentially achieve superior capital appreciation while seeking to maximize tax efficiency. Due to its relatively low concentrated positions and value strategies, it tends to have greater volatility than other portfolios including a greater potential risk of loss. This strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as vehicles that go long or short, etc.

Investment Vehicles: (1), (2), (3), (4), (5), (9), (10), (11), (15), (16): See relevant Table

Strategies Utilized: (A), (C), (D), (E), (F), (I): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (23): See relevant Table

Fees: (1), (2), (3) See relevant Table

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **7) Constitution Moderate Growth Taxable**

Objective: To potentially achieve capital appreciation while seeking to reduce excessive taxable events. Based on market conditions, the strategy may change its allocation between riskier equity positions and less risky fixed income or cash positions. This unconstrained strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as vehicles that go long or short, etc and attempt to mitigate excessive downside volatility.

Investment Vehicles: (1), (3), (4), (5), (9), (10): See relevant Table

Strategies Utilized: (A), (C), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19) (23): See relevant Table

Fees: (1), (2), (3) See relevant Table

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **8) Income**

Objective: To potentially generate attractive current income and protection of principal. Holdings for accounts in this strategy may vary significantly based on available bond offerings, initial date of account management, the Client's specific needs, etc. This strategy may also short, hedge, or utilize spreads.

Investment Vehicles: (1), (2), (3), (4), (5), (5), (6), (8), (9), (10), (16): See relevant Table

Strategies Utilized: (A), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5): See relevant Table

Risks: (1), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19): See relevant Table

Fees: (1), (2), (3) See relevant Table

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## 9) Alternative Income

Objective: To potentially maximize the income relative to the traditional conventional income producing investment vehicles such as corporate and municipal bonds. Positions held in individual client accounts consist of higher yielding holdings such as preferred stocks, traded REITs, trusts, stocks, Master Limited Partnerships (MLPs), Business Development Companies (BDCs) and closed end funds. This strategy may be considered more volatile than a total return and income model.

Investment Vehicles: (1), (2), (3), (9), (10), (15), (16): See relevant Table

Strategies Utilized: (A): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (8): See relevant Table

Risks: (1), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19): See relevant Table

Fees: (1), (2), (3) See relevant Table

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## 10) Total Return

Objective: To potentially maximize the risk adjusted returns of a conventional fixed income portfolio. Positions held in individual client accounts in this strategy vary significantly variations in positions based on available offerings at the time of account inception, client's specific needs, goals and risk tolerance. This unconstrained strategy may also short, hedge, or utilize spreads.

Investment Vehicles: (1), (4), (5), (6), (8), (9), (10), (15), (16): See relevant Table

Strategies Utilized: (A): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5): See relevant Table

Risks: (1), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19): See relevant Table

Fees: (1), (2), (3) See relevant Table

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## 11) Exchange Traded Fund (ETF)

Objective: To potentially achieve superior capital appreciation over a multi-year period solely utilizing Exchange Trade Products (ETPs) as an investment vehicle. The goal of this unconstrained strategy is risk adjusted outperformance compared to the major domestic and foreign indices. This strategy can invest in any sector, market capitalization, style (Value, Growth, or Blend), or country as well as mutual funds and Exchange Traded Notes (ETNs) that go long or short, etc. This strategy has a relatively high portfolio turnover and this strategy may also occasionally utilize leveraged exchange traded products. Relatively speaking, this portfolio tends to be volatile compared to other strategies. This strategy may also short, hedge, or utilize spreads.

Investment Vehicles: (2), (3), (15), (16): See relevant Table

Strategies Utilized: (A), (D), (E), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (23): See relevant Table

Fees: (1), (3), See relevant Table

Custodians Utilized: (1), (8) See relevant Table

Notes: (a), (b) See relevant Table

## 12) Managed Tail Risk

Objective: To pursue capital appreciation while seeking to potentially mitigate extreme downside volatility and tail risk during periods of market stress.

Investment Vehicles: (1), (2), (3), (11): See relevant Table

Strategies Utilized: (A), (H): See relevant Table

Risks: (1), (2), (3), (8), (9), (10), (11), (12), (13), (20), (27) See relevant Table

Fees: (1), (3) See relevant Table

## 13) Jefferson National No Load Annuity Aggressive Growth

Objective: To potentially achieve superior capital appreciation on both a relative and risk-adjusted basis over a multi-year period by investing in a wide range of annuity sub-accounts. This unconstrained strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as sub accounts that go long or short, etc. This strategy may have high portfolio turnover. This strategy

may also occasionally utilize leveraged annuity sub-accounts. This strategy may also short, hedge, or utilize spreads.

Investment Vehicles: (1), (7): See relevant Table

Strategies Utilized: (A), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (23): See relevant Table

Fees: (1), (5) See relevant Table

Custodians Utilized: Jefferson National

#### **14) Jefferson National No Load Annuity Moderate Tax Deferred Growth**

Objective: To potentially achieve superior risk adjusted returns relative to a basket of equity indices over a long term basis (one, three, five and ten years). This is primarily a buy and hold strategy that typically holds a portfolio of broadly diversified annuity sub-accounts. Yet, in volatile market conditions, it may have moderate turnover.

Investment Vehicles: (1), (7): See relevant Table

Strategies Utilized: (A), (F): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), See relevant Table

Fees: (1), (5) See relevant Table

Custodians: Jefferson National

#### **15) Structured capital-at-risk [SCARP] designed for potential capital appreciation**

Objective: This portfolio is designed to potentially generate capital appreciation in multiple market scenarios, subject to credit risk of issuer. An investor's entire initial capital may be placed at risk.

Investment Vehicles: (12): See relevant Table

Strategies Utilized: (B): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8):  
See relevant Table

Risks: [Wrapper, underlying and payoff]: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (15), (19), (24), (25) See relevant Table

Fees: (1), (8) See relevant Table

Custodians Utilized: (1) See relevant Table

## **16) Non-structured capital-at-risk (non-SCARP) structured products designed for potential variable current income**

Objective: This portfolio invests in capital protected structured products designed to potentially generate variable current income based on positive price development in a basket of underlying securities the structured product is linked to. It also aims to potentially generate capital appreciation while potentially protecting an investor's nominal capital at maturity, subject to credit risk of issuer.

Investment Vehicles: (12), (13): See relevant Table

Strategies Utilized: (B): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: [Wrapper, underlying and payoff]: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (15), (19), (24), (25) See relevant Table

Fees: (1), (8) See relevant Table

Custodians Utilized: (1) See relevant Table

## **17) Non-structured capital at risk (non-SCARP) structured products designed for potential capital appreciation:**

Objective: This portfolio invests in capital protected structured products designed to potentially generate capital appreciation while potentially protecting an investors nominal capital at maturity, subject to credit risk of issuer.

Investment Vehicles: (12), (13): See relevant Table

Strategies Utilized: (B): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (5), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (15), (19), (21), (24), (25) See relevant Table

Fees: (1), (8) See relevant Table

Custodians Utilized: (1) See relevant Table

### **18) TransAmerica Advisor Elite Variable Annuity**

Objective: To provide market exposure and the potential periodic “locking” of an investor’s potential retirement income profits provided Transamerica’s requirements are met.

Investment Vehicles: (7): See relevant Table

Strategies Utilized: (A): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4) (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (12), (13), (15), (16), (17), (18), (19), (24): See relevant Table

Fees: (1), (6) See relevant Table

Custodians Utilized: TransAmerica

### **19) TransAmerica Retire One Fixed Contingent Annuity**

Objective: To provide market exposure, while assuming TransAmerica’s stated requirements are met, potential protection of an investor’s nominal initial capital as well as potentially periodically locking in an investors profits.

Investment Vehicles: (1), (7): See relevant Table

Strategies Utilized: (A): See relevant Table

Table of variables utilized in management of relevant portfolio: (1), (2), (3), (4), (6), (7), (8): See relevant Table

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (12), (13), (15), (16), (17), (18), (19), (25): See relevant Table

Fees: (1), (3) (7) See relevant Table

Custodians Utilized: TransAmerica

### **20) Baceline Distressed Real Estate & Debt Opportunity Fund (DRE&DOF)**

Objective: A private offering to Accredited Investors potentially seeking capital appreciation via

multiple strategies such as acquiring assets from lenders at theoretically discounted values, converting lease space or other improvements, increasing occupancy, and selling the property.

Investment Vehicles: (14): See relevant Table

Strategies Utilized: (B): See relevant Table

Table of variables utilized in management of relevant portfolio: At discretion of Baseline Mgmt.

Risks: (1), (2), (10), (16), (19), (29): See relevant Table

Fees: (1) See relevant Table

Custodians Utilized: (1), (8): See relevant Table

## **21) LSA Portfolios**

Objective: A multi model offering of independent research funneled into a range of quality investment programs. Models range from conservative to aggressive and ranges from principal protection to asset growth.

Investment Vehicles: (1), (2): See relevant Table

Strategies Utilized: (A), (B): See relevant Table

Table of variables utilized in management of relevant portfolio: At discretion of LSA Portfolios.

Risks: (1), (2), (4), (5), (8), (11), (12), (13), (16): See relevant Table

Fees: (1) See relevant Table

## **22) Custom Programs**

Objective: Jointly defined by "Regatta" and its clients.

Strategy: Jointly defined by "Regatta" and its clients.

Fees: All fees for custom programs are on a negotiated basis.

Custodians: Jointly defined by "Regatta" and its clients.

Other costs: The custodian utilized by Client may have transaction, maintenance fees, etc.

## **Material Risks Table**

There are numerous risks involved in investing. The ones listed below are meant to be illustrative, rather than exhaustive. Additionally, more detailed information on risks can be found in each fund's prospectus, limited partnership, structured products, non-publicly traded REIT's,



etc. prospectus and/or other related disclosure documents. Please to be sure to visit [www.SEC.gov](http://www.SEC.gov) and [www.FINRA.org](http://www.FINRA.org) for a thorough overview of investing and its concepts. The Client acknowledges that he or she has read and is fully cognizant of the risks described herein as well as the risks declared in prospectuses and other relevant disclosure documents and has visited SEC and FINRA websites and independently reviewed and made sure they understand investing concepts and risks of different investment vehicles and strategies before investing.

(1) General risks: There is no assurance that any stated objectives can be met or that any investment vehicles will be profitable or outperform any indices or benchmarks on an absolute, relative, or risk adjusted return basis. While Regatta's investment decisions may have been successful in the past or have demonstrated the possibility of success in research studies, past performance is no guarantee of future results. Regatta does not warrant investment success.

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). As you know, stock markets, bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss on the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance of that you will not experience a loss of your account assets. Your participation in any of the management programs offered by us will require you to be prepared to bear the risk of loss and fluctuating performance.

We do not represent, warrant, or imply that the services or analytical methods we employ can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is not an indication of future performance. We cannot guarantee that your goals or objectives will be achieved, or that advisory services offered by us will provide a better investment strategy.

For additional reading, see The Reality of Investment Risk and Market Risk: What You Don't Know Can Hurt You at [www.FINRA.org](http://www.FINRA.org).

(2) Reliance on third party risks: Third parties (including without limitation, broker dealers, registered representatives, insurance agents, investment advisors, custodians, issuers or guarantors, insurance companies, transfer agents, calculation agents, solicitors and employees and agents of each of them) provide services, systems, information, opinions, programs and data upon which Regatta necessarily relies on, whose reliability, while believed to be accurate, cannot be guaranteed and losses may result from reliance upon them. These third party risks include reliance on third party investment managers or investment vehicles such as publicly non-traded REITs, Regulation D. private placements, mortgage note investments, managed futures, etc. which may be unprofitable. These are normal risks for which Regatta takes no responsibility beyond use of reasonable care in the selection of third party firms, manage or investment vehicles, etc. In instances when we recommend that you use a third party manager to manage your account, we will provide you with a disclosure brochure for the third party manager that will detail its investment strategies, methods of analysis, and associated risks.

(3) Concentrated investments risks: Concentrated investment risk means that investment performance may be subject to greater of amplified losses that may occur from having a low portion of your holding in a particular investment asset class or market segment relative to your

overall portfolio. For additional reading see Concentrate on Concentration Risk at [www.FINRA.org](http://www.FINRA.org).

(4) International and country specific risks: Mutual funds, annuity sub-accounts, ETNs, ETFs, stocks and bonds, etc. which invest predominately in shares or obligations of companies organized outside the United States have special risks. The investments of such funds may be materially impacted by unstable political environments in the country of organization of their portfolio companies, by foreign currency fluctuations and/or even a risk of nationalization or seizure of foreign deposits or assets. Foreign taxes and differences in financial and accounting standards from ones applicable to U.S. companies introduce additional risks. Large bid and ask spreads may be present when entering or exiting positions along with additional transaction costs. For additional reading see International Investing at [www.SEC.gov](http://www.SEC.gov).

(5) Technology investment risks: Mutual funds, annuity sub-accounts, ETPs, stocks and bonds, structured products, etc. which invest predominately in shares or obligations of technology companies are subject to intense competition and may have limited product lines, markets, financial resources or personnel. Due to rapid technological developments and frequent new product introductions, technology companies bear the additional risk of product introduction or product obsolescence as well as dramatic and often unpredictable changes in growth rates and competition for qualified personnel. These companies are heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability. Technology stocks also tend to be extremely volatile relative to the overall market.

(6) Value investing risks: Mutual funds, annuity sub-accounts, ETPs, stocks and bonds, etc. which invest predominately in shares or obligations considered to be “Value” investing carry the risk that the market will not recognize a security’s intrinsic value for a long time, or that a stock deemed to be undervalued may actually be appropriately priced. “Value” stocks can react differently to issuer, political, market and economic developments than the market as a whole and other types of stocks.

(7) Small and/or mid-size company risks: Mutual funds, annuity sub-accounts, ETPs, stocks and bonds, etc. which invest predominately in shares or obligations of companies with small or mid-sized market capitalizations, may be dependent upon a single proprietary product or market niche, may have limited product lines or markets of financial resources, etc. Typically such companies have fewer securities outstanding and may be less liquid than securities of larger companies. Their common stock and other securities may trade less frequently and in limited volume are generally more sensitive to purchase and sale transactions. The absolute values of changes in the prices of securities with small or mid-sized market capitalizations may be greater than those in larger, more established companies.

(8) Buy and hold risks: Mutual funds, annuity sub-accounts, ETPs, stocks, bonds and structured products which are selected by and passively invested in by Regatta gives rise to certain risks. For example, an unhedged or unprotected passive buy and hold investment can decrease materially during periods of market stress. In the case of structured products, a buy and hold approach is required by design. There is no ability to replace the underlying prior to maturity. They may be illiquid and may not be sold prior to maturity. Also, if the underlying experiences price weakness prior to maturity, an investor may not be able to sell prior to maturity. Investments may experience material drawdowns during any period of general weakness in equity markets.

(9) Hedging and shorting risks: In an effort to protect portfolios against adverse market conditions, Regatta or the investment vehicles themselves may engage in "hedging or shorting" techniques. Hedging is a strategy theoretically designed to reduce investment risk. Investment risk may be theoretically reduced by using call or put options or by short selling. A hedge can theoretically help lock in profits. Its purpose is to potentially reduce the volatility of a portfolio by reducing the risk of loss. Rather than buying individual stocks or options directly, this portfolio may buy mutual funds, annuity sub-accounts, ETFs or in some cases structured products that "short" the stock market, or segments of the market, and even U.S. government bonds, as well as mutual funds and ETPs that "hedge" against market volatility. It may also include buying mutual funds that are both long and short i.e. the manager attempts to have a portion of the portfolio in stocks that will appreciate if the segment invested in rises and a portion of the portfolio in investments that should appreciate if the underlying investment falls in value. Buying mutual funds, annuity sub-accounts, ETPs, etc. that short the market or segments of the market and are linked to a particular market index or segment of the market are subject to an inverse correlation risk when the underlying benchmark rises; a result that is the opposite from traditional equity mutual funds. The fund, ETF, or stock's loss on short sales is limited only by the maximum attainable price of the security (which could be limitless) less the price paid for the security at the time it was borrowed. There is no guarantee that hedges will reduce risk or be successful. Market events may also cause hedging and other potential risk reduction techniques to actually increase the risk and the magnitude of losses to a portfolio. For additional reading, see Investor Bulletin: An Introduction to Short Sales @ [www.SEC.gov](http://www.SEC.gov).

(10) Margin and leverage risks: This strategy may occasionally utilize margin or vehicles that utilize leverage such as ETPs and mutual funds, as well as leveraged positions to hedge other "long" or "short" positions, engage in spread trades, or if Regatta client's determine that circumstances are favorable, for the use of margin. If the securities in the account decline in value, so does the value of the collateral supporting the loan, and as a result, the custodian of your account can take action, such as issue a margin call and/or sell securities or other assets held in your account in order to maintain the required equity in the account. The risks of a margin or leveraged position is that, in market conditions adverse to the portfolio, the portfolio could result in losses being larger than they otherwise would have been. He/she can also lose more funds than he/she deposited in the margin account. The use of margin and leverage also introduces "volatility risk"; that the securities utilized may experience greater volatility than the market as whole, etc. including the risk of increased losses. Any strategy employing stocks, bonds, ETFs, and mutual funds may use inverse funds in implementing the strategy described.

Please educate yourself diligently on margin and its risks. For additional reading, see Purchasing on Margin, Risks Involved with Trading in a Margin Account; Understanding Margin Accounts; and podcast Learning to Invest, Buying on Margin @ [www.FINRA.org](http://www.FINRA.org) and Borrowing Money to Pay for Stock @ [www.SEC.gov](http://www.SEC.gov).

(11) Trading risk: Trading systems utilized by Regatta are primarily computer based. Regatta's strategies are dependent to a significant degree on proper functioning of its internal computer systems. Systems failures, whether due to third party failure upon which such systems are dependent or the failure of hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Such failures may result from events including 'acts of God' and domestic or international terrorism. Any such failure and consequential inability to trade (even for a short time) could, in certain market conditions, cause portfolios to experience trading losses or to miss opportunities for profitable trading. Moreover, trading in OTC markets

expose clients to risks not applicable to trading on organized exchanges. Trading on non-U.S. exchanges and markets exposes clients to risks not normally applicable to trading on U.S. markets and exchanges. Finally, increases in assets under Regatta's management may have an adverse effect on its trading execution.

(12) Tax and active investor risks: Certain portfolios will engage in a relatively high volume of trading as Regatta rotates between countries, sectors, and capitalizations, etc. Clients in taxable accounts invested in a portfolio with high turnover that utilizes this strategy may potentially experience negative tax consequences and increased transaction costs as a result. The tax treatment of certain vehicles like structured products and master limited partnerships (MLP), etc. can be complex and subject to change. Limited Partnerships may also be subject to the risk of delayed or even revised tax filings.

(13) Bond risks: There are numerous risks associated with investing in bonds. These include, but are not limited to, "default risk", or the risk that a company that issues a debt security will be unable to fill its obligation to repay principal and interest. This risk of default and bankruptcy could include a total loss of the investment capital. The lower a bond is rated, the greater its default risk. Another risk is "interest rate risk", which is the risk that the bond will decrease in value as a result of an increase in interest rates. "Convertible securities risk" is the risk that, as with all fixed income securities, the market value of convertible securities tends to decline as interest rates increase. Rule 144A risk, foreign securities risk, and synthetic convertible securities risks are other risks associated with investing in certain types of bonds.

Whether rated or unrated, high yield, lower credit quality bonds are speculative investments sometimes referred to as "junk bonds". Lower debt grade securities have special risks that make them riskier. They may be subject to greater market fluctuation and have a higher risk of loss of income and principal than lower yielding investment grade debt securities. There may also be less of a market to sell them. There is also a relatively greater possibility that the issuer's earnings may be insufficient to allow it to make the payments of interest on the outstanding obligation. The issuer's low credit worthiness may also increase the potential for its insolvency.

Investing in foreign bonds has its own risks such as default risk, political risk and currency risk. Political risk such as instability within the government or perhaps a regime change is also a risk. Finally, currency risk can affect the value of interest via the investment as well as the value of the investment itself. See Understanding Bond Risk at [www.FINRA.org](http://www.FINRA.org) and Interest Rate Risk – When Interest Rates Go Up, What Are Corporate Bonds, What Are High Yield Bonds, What Are Bond Funds and The ABCs of Credit Ratings at [www.SEC.gov](http://www.SEC.gov)

(14) Public Non-traded REITs risks such as CNL, Behringer Harvard, Inland, American Realty Capital, Paladin, and Wells, etc: Risks associated with investing in these investments include, but are not limited to illiquid markets, possible use of leverage, potentially significant material downside pricing revisions which can be considerably below initial offering price, the potential for significantly longer than anticipated liquidity events, potential reduction or even complete elimination of dividends, if a secondary market does exist, potentially extremely large spreads between the bid and ask, risks related to non-traded REIT's corporate structure, potential conflicts of interest by the REIT's management, Federal Income Tax risks, large penalties for premature withdrawal, IPO pricing issues, etc. These and other risks are listed in the REIT prospectus. See the public non-traded REIT tip sheet and Public Non-Traded REITs –Perform A

Careful Review Before Investing at [www.FINRA.org](http://www.FINRA.org). On [www.SEC.gov](http://www.SEC.gov), see the investor bulletin on non-traded REITs.

(15) Precious metals, resource, and commodity investment risks. Mutual funds, stocks, ETPs, etc. that invest predominately in shares of many companies engaged in exploration, recovery, refinements and the sale of natural resource commodities such as gold, silver, platinum, palladium, crude oil, refining, grains, etc. tend to reflect the changing values of the commodities and therefore are subject to substantial volatility. There are numerous risks associated with investing in commodities and commodity linked investments, including, but not limited to the following: commodities and commodity linked investments are affected by events that might have less impact on the values of stocks and bonds. Investments linked to the prices of commodities are considered speculative. Prices of commodities and related contracts may fluctuate significantly over short periods for a variety of factors, including: changes in supply and demand relationships, the value of the commodity, the overall money supply, central bank buying and selling, market volatility, the commodity index or other economic variable, interest and yield rates in the market, the weather, agriculture, trade, fiscal, monetary, and exchange control programs, disease, pestilence, embargoes, tariffs and international economic, political, military and regulatory developments. Commodity-linked instruments have substantial risks, including the risk of losing a significant portion of their principal value. There is also credit risk. Commodity-linked notes are subject to credit risks on the underlying investment and to counter-party credit risk as well as valuation risk.

Occasionally a mutual fund, annuity sub-account or ETP may be purchased that may invest in commodity-linked structured notes and futures contracts that have substantial risks, including risk of loss of a significant portion of their principal value. Because the performance of structured notes and futures contracts are linked to the performance of the underlying commodity prices, these investments are subject to “market risks” that relate to movements in the commodities markets. They may be subject to additional risks that do not affect traditional equity and debt securities. These include risk of loss of interest, interest and prepayment risks, lack of secondary market, risk of greater volatility, credit risk, hedging risks, risk of non-diversification, risks of leverage, and roll yield risk.

Please visit the FINRA website at the following addresses regarding an investor alert and news release.

<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P124119>  
<http://www.finra.org/Newsroom/NewsReleases/2011/P124214>

(16) Minimum holding period risks: Some mutual funds and annuity sub-accounts incorporate minimum holding periods before a fund can be sold. Potentially large drawdowns during periods of market stress without the possibility of selling the position are a possibility.

(17) Fee risks: Some mutual funds, annuity sub-accounts and non-publicly traded REITs may impose substantial redemption charges on investments held for less than a certain specified minimum holding period. While reasonable efforts will be made by Regatta where possible to avoid imposition of such charges, no guarantee is made that the Client will not incur such charges. Clients entering and exiting a strategy using funds with redemption fees are likely to incur such charges. Redemption charges are incurred by the Client and are not included in Regatta’s fee.

(18) Risks involved in option investing: Both the purchase and the writing of options contracts involve a high degree of risk, and mutual funds and Exchange Traded Products that invest in options are not suitable for all investors, and accordingly, should be entered into only by investors who understand the nature and extent of their rights and obligations and are fully aware of the inherent risk. A client should not utilize this strategy unless they are able to sustain a total loss of the premium and transaction costs. The price of an options contract is affected by various factors such as the relationship between the exercise price and the market price of the underlying security, implied volatility, the expiration date of the option and the price fluctuations or other characteristics of the underlying stock. Investors directly investing in options or indirectly via mutual funds or ETFs that do may experience additional risks and potential risk of loss that investors would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The Exchanges or other regulatory bodies may restrict transactions in particular options or the exercise of options contracts in their discretion from time to time. All index option exercise are settled by cash payment and not by the delivery of securities; and all index option exercises are based on the closing index value and that any "in-the-money" index options exercised prior to the availability of the closing index value face the risk of closing out of the money due to a subsequent adverse change in the index value, etc. Clients should also make sure they download and understand the "Characteristics and Risks of Standardized Options" document available at [www.optionsclearing.com](http://www.optionsclearing.com).

(19) Risks for investors of all structured products: Risks associated with investing in these investments include, but are not limited to credit risk, illiquid markets, possible use of leverage, interest rate increases and changes in currency markets. Unless it is an FDIC insured certificate of deposit wrapper, and then only up to applicable limits, structured products are dependent on the ability of the issuer or the guarantor(s) to honor terms of the structured product, including any principal guarantees, at maturity. Depending on the type of structured product, other risk factors may be pertinent. Generally investors will not receive dividends of linked securities for the term of the investment and many of these structured products are designed to be held to maturity versus selling prior to maturity. For a full summary of risks associated with structured products, read the prospectus.

Prior to maturity the price of the structured product may be influenced by the issuer's financial condition, volatility, interest rates, etc. as well as many of the same risk factors that affect the underlying asset it is linked to.

Liquidity on a structured product may be light or even non-existent. For example, there may only be a few market makers or only a single dealer, who may also be the issuer's principal underwriter, who may or may not provide liquidity. Moreover, many issuers intend to provide a secondary market to encourage the use of their structured products, but are not legally required to do so. Structured products may be illiquid even if it is listed on a securities exchange or trade in over-the-counter secondary markets.

Due to the relative illiquidity, two primary issues face investors who wish to sell their structured products on the secondary market prior to maturity:

1. Variable bid and offer spreads: Wide spreads may result during periods of market volatility or when the sell size is large and/or thinly traded or highly customized, utilizing a proprietary index or when the issuer's hedging risk is large.



## 2. A wide spread can complicate a decision to exit.

The United States Federal Income tax consequences of structured products are uncertain, and tax or regulatory rules may change prior to maturity.

Due to their unique payoff profiles, it is difficult to establish benchmarks to evaluate relative performance against structured products.

There are no ownership or voting rights in the underlying asset(s).

Certain built in costs are likely to adversely affect the value of the notes prior to maturity.

If a cap is present, any gains may be limited to a maximum return which can lead to an opportunity cost in a strongly trending market.

If a knock-out barrier is present on a 'shark fin', an investor may no longer participate on the upside if the underlying equals or exceeds the single, upper barrier.

### 19(a) Illustrative risks for capital protected structured products [non-SCARP]

For capital protected structured products, in the event of an adverse outcome, the non-SCARP must be held to maturity to receive the full or partial nominal capital protection and is subject to the credit risk of the issuer or guarantor, even for structured products issued in a FDIC certificate of deposit wrapper.

For additional information on Market Linked CDs, visit the following websites [www.FDIC.gov](http://www.FDIC.gov), [www.SEC.gov](http://www.SEC.gov), and [www.FINRA.gov](http://www.FINRA.gov), etc. where additional information can be found.

Illustrative articles include but are not limited to the following:

#### 1. SEC: Structured Notes with Principal Protection:

<http://www.sec.gov/investor/alerts/structurednotes.htm>

For principal protected structured products, only the principal is guaranteed. Gains are not.

If there is an adverse outcome, the principal protection feature tends not to come into effect until maturity when all terms are fully applied. Likewise, any appreciation in the structured product tends to lag the underlying it is linked to and is typically not fully reflected until maturity.

### Limitations for capital protected structured products issued in a FDIC insured CD wrapper

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010, FDIC protection was permanently set at \$250,000 for all deposits held by a consumer in the same ownership capacity (see the table below for maximum FDIC insurance protection amounts).

<b>FDIC Deposit Insurance Coverage Limits <sup>1</sup></b> by account ownership category	
<b>Single Accounts</b> owned by one person	\$ 250,000 per owner
<b>Joint Accounts</b> owned by two or more persons	\$ 250,000 per co-owner
<b>Certain Retirement Accounts</b> includes IRAs	\$ 250,000 per owner
<b>Revocable Trust Accounts</b>	\$ 250,000 per owner per beneficiary up to 5 beneficiaries (more coverage available with 6 or more beneficiaries subject to specific conditions and requirements)
<b>Corporation, Partnership and Unincorporated Association Accounts</b>	\$ 250,000 per corporation, partnership or unincorporated association
<b>Irrevocable Trust Accounts</b>	\$ 250,000 for the non-contingent, ascertainable interest of each beneficiary
<b>Employee Benefit Plan Accounts</b>	\$ 250,000 for the non-contingent, ascertainable interest of each plan participant
<b>Government Accounts</b>	\$ 250,000 per official custodian (more coverage available subject to specific conditions)

Source: FDIC Website. <http://www.fdic.gov/deposit/deposits/dis/>

### **Additional risks associated with market linked CDs**

Under federal legislation adopted in 1993, claims of depositors are entitled to a preference in right of payment over claims of general unsecured creditors i.e. investors in capital protected structured products in an FDIC insured wrapper in the event of a liquidation or other resolution of any FDIC-insured depository institution. There can be no assurance that a depositor would receive the entire uninsured amount of the CD in any such liquidation or other resolution.

The FDIC's powers as receiver or conservator could also adversely affect an investor's return. If the FDIC was appointed as conservator or receiver of the bank, it has the authority to disaffirm or repudiate any contract to which the bank is a party, if it deems the performance burdensome and the disaffirmance or repudiation of which was determined to promote the orderly administration of the bank's affairs. It is likely that for these deposit obligations, such as the capital protected structured products in an FDIC insured CD wrappers, would be considered "contracts" within the meaning of the foregoing, and there is the possibility they could be repudiated by the FDIC as conservator or receiver of the bank. Such repudiation should result in



a claim by a depositor against the conservator or receiver for the capital of the CDs. The FDIC as conservator or receiver may also transfer to another insured depository institution any of the insolvent bank's assets and liabilities, including liabilities such as capital protected structured product in CD wrapper, without the approval or consent of the beneficial owners of the CDs. The transferee depository institution would be permitted to offer beneficial owners of the CDs the choice of (i) repayment of the capital amount of the CDs or (ii) substitute terms, which may be less favorable.

If a default occurs on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Thus, an investor may have a delay in getting their FDIC insurance payments.

Capital protected structured products in an FDIC insured CD wrapper are protected only by the FDIC. There is no additional protection provided by any other entity or governmental agency.

The scope and extent of FDIC rules can change prior to maturity: Amendments to existing legislation or regulations or enactment of new legislation or regulations relating to FDIC insurance may be introduced at any time, which could alter the FDIC insurance coverage on a capital protected structured products in a FDIC insured certificate of deposit wrapper.

Additionally, FDIC insurance programs can be ended for the issuer: It is possible for the FDIC insured status of the bank to be terminated in certain circumstances, which could potentially result in the loss of FDIC insurance for the capital protected structured products. In that case, an investment in the CDs would become subject to the credit risk of the bank with respect to the entire amount of the CDs, as well as any interest accrued but unpaid thereon.

Investing in a capital protected structured product in a CD wrapper is not equivalent to investing in a conventional certificate of deposit or directly in the underlying(s). The capital protected structured products in an FDIC insured wrapper differ from conventional bank deposits, whether they are designed for current income or capital appreciation. In the case of a capital protected structured product in an FDIC insured CD designed for current income, the payment of the coupons depends on the performance of the underlying(s) and strategy, which could in certain scenarios, be zero. The same holds true for capital protected structured products in a FDIC insured CD wrapper designed for capital appreciation. If the underlying(s) fails to perform as anticipated or the strategy is unsuccessful, the return on the investment at maturity could also be zero. If such were the case, an investor in capital protected structured product in an FDIC wrapper would receive less than an investor who bought a conventional certificate of deposit.

#### FDIC coverage exclusions

Only an investor's nominal initial capital and accrued interest are protected by FDIC insurance, up to applicable limits.

Any gains, unaccrued interest, premiums paid on the secondary market, amounts exceeding the FDIC insurance limits, and depending on its structure, any minimum return features prior to the maturity date, are subject to the credit risk of the issuer or guarantor.

Any of the aforementioned or additional exclusions not covered by FDIC insurance are considered to be the senior unsecured debt obligations of the issuer or guarantor. Thus, they are subject to the ability of the issuer to guarantee these amounts. If the issuer defaults on its obligation or files for bankruptcy, an investor may sustain a loss for the amounts not covered.

For additional information on capital protected structured products, visit the following websites [www.FDIC.gov](http://www.FDIC.gov), [www.SEC.gov](http://www.SEC.gov), and [www.FINRA.gov](http://www.FINRA.gov).

Illustrative articles include but are not limited to the following:

1. FDIC: Market Linked CDs:

<http://www.fdic.gov/consumers/consumer/news/cnspr12/marketlinkedcds.html>

2. FDIC: CDs: <http://www.fdic.gov/deposit/deposits/certificate/index.html>

3. Securities and Exchange Commission: Equity-Linked CDs:

<http://www.sec.gov/answers/equitylinkedcds.htm>

4. SEC: High Yield CDs: <http://www.sec.gov/investor/pubs/certific.htm>

#### 20(b) Illustrative risks specific to Reverse Exchange Convertibles (REX) [SCARP]

Reverse Exchange Convertibles:

An investor will only receive a fixed coupon. An investor will not participate in any price rises in the underlying. In a bull market, this could lead to a significant opportunity cost versus a direct investment in the underlying asset.

Reverse Exchange Convertibles are substantially more risky than income securities and are not equivalent to conventional fixed income investments.

REXs are also subject to credit risk of the issuer or guarantor and short maturities lead to constant re-investment risk.

For additional information on Reverse Exchange Convertible structured products, visit the following websites [www.FDIC.gov](http://www.FDIC.gov), [www.SEC.gov](http://www.SEC.gov), and [www.FINRA.gov](http://www.FINRA.gov).

FINRA: Reverse Exchange Convertibles

<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/Bonds/P120883>

#### 20(c) Illustrative risks specific to Participation Structural Products

Participation Structured Products are not capital protected. Some Participation Structures may have ‘soft’ downside protection, i.e. limited and conditional, whereas others may have ‘hard’ downside protection, i.e. limited and unconditional. If conditional downside i.e. “soft” protection, or unconditional, but limited i.e. “hard” protection is provided via a barrier or buffer structure, respectively, market downdrafts and/or specific risks in the underlying asset(s) can nevertheless potentially result in significant absolute losses.

Structured Products are also subject to credit risk of issuer or guarantor.

If a cap is present, an investor will not participate in any price rises greater than the cap resulting in an opportunity cost.

(21) Currency risks: There are numerous risks associated with investing in currencies and currency linked investments. These include, but are not limited to: currency exchange rate risks such as devaluation and the impact that increases and decreases in the relative exchange rates may have on the underlying investments, currency management strategies may not be successful, foreign instruments have more risk than domestic instruments, interest rate changes may cause fluctuations in currencies, the use of derivative securities, as well as non-diversification risk.

(22) Illustrative risks for investors in TransAmerica Advisor Elite: All contract and rider guarantees including optional benefits and any fixed subaccount crediting rates or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by any other entity, and they do not make any representations or guarantees regarding the claims paying ability of the issuing insurance company.

The variable annuity policy value, death benefit, and other values will fluctuate based on the performance of the investment options and may be worth more or less than the total of all premiums paid when surrendered. The investment options are subject to market fluctuation, investment risk, and possible loss of principal.

The 5% growth rate applies only to the Withdrawal Base; it does not apply to the policy value, optional death benefits, or other optional benefits. In years when a withdrawal is taken, the 5% compounded growth rate does not apply. With the Open Allocation option an investor may choose any investment options available within his/her policy. With this allocation option, Transamerica can utilize the Open Allocation Method (OAM), which is part of Transamerica's risk management investment strategy to deliver the rider's guarantees through all market cycles. It permits Transamerica to use a pre-determined mathematical formula to reallocate money into OAM investment options if an investor's policy value should drop. As your policy value recovers by a certain percentage above the rider guarantee, Transamerica will move all or a portion of the re-allocated money back into your chosen investment options, though possibly not as quickly as an investor might desire. This could potentially limit an investor's ability to fully participate in the market's growth.

Transamerica Advisor Elite is not:

- a bank deposit
- federally insured
- endorsed by any bank or government agency
- guaranteed to achieve its goals

For additional risks, conditions, requirements and costs please review the prospectus and other relevant disclosure documents.

(23) Illustrative risks for investors in TransAmerica RetireOne: Retire One is a fixed contingent

annuity issued by Transamerica Advisors Life Insurance Company and requires an investor's holdings to remain fully invested in certain specified investments, i.e. "Eligible Assets". It does not guarantee performance and does not guarantee against a loss of principal. Ownership of the Eligible Assets on which the guarantee is based remains with the investor and can be accessed at any time, but withdrawals in excess of those permitted under the certificate terms will diminish or eliminate future guarantees.

An investor's initial coverage amount is established when a Lock-In Date is selected. It may be no earlier than the date the investor or, should joint life coverage be elected, the investor's spouse (if younger) turns 60.

The Coverage Base on the Lock-In Date determines the initial Coverage Amount.

Prior to the Lock-In Date, on each certificate anniversary, the Coverage Base will be the greater of 1) the current Coverage Base; 2) the value of the Covered Asset Pool on the Certificate Anniversary; or 3) if there have been no withdrawals during the preceding Certificate Year, the value of the Covered Asset Pool as of any Quartersversary during the immediate preceding Certificate Year.

After the Lock-In Date, but before the insured event, the Coverage Amount is calculated on each Certificate Anniversary and is the greater of 1) the current coverage amount or 2) the current value of the Covered Asset Pool on the Certificate Anniversary multiplied by the current Coverage Percentage. The insured event is when the value of the Covered Asset Pool is depleted according to the terms of the Certificate.

If the investor's Covered Asset Pool is depleted to zero, due to factors other than an excess withdrawal, Transamerica Advisors Life Insurance Company makes payments based solely on its claims-paying ability, provided that the purchaser honors the terms of the annuity.

The annuity has no cash value, surrender value or death benefit. You may never receive the benefits available under the annuity because the Eligible Assets may perform well enough that it is never reduced to zero.

The annuity will terminate and no benefit payments will be made if 1) withdrawals are made in excess of those permitted, which reduces the Coverage Base or Coverage Amount to zero; 2) the annuity fee is not paid; or 3) assets are not allocated exclusively to Eligible Assets. See prospectus for more information on termination of the annuity.

The guaranteed lifetime payments are backed by the claims-paying ability of Transamerica Advisors Life Insurance Company. They are not backed by any other entity, including the administrator, the broker/dealer from which this annuity is purchased, the insurance agency from which this annuity is purchased, or any affiliates of those entities.

In addition, no representations or guarantees regarding the claims-paying ability of Transamerica Advisors Life Insurance Company are made.

Guarantees do not apply to the mutual funds, annuities, sub-accounts or ETFs.

Annuities may lose value and are not bank deposits, are not FDIC insured, and are not insured or endorsed by a bank or any government agency, or are guaranteed to achieve their goals.

For additional information, please review the prospectus and other relevant disclosure documents.

(24) Illustrative risks for investors of Baceline Distressed Real Estate & Debt Opportunity Fund (BDRE&DOF): As an investment in BDRE&DOF is speculative, it should be considered only by sophisticated investors. There are a large number of risk factors involved with an investment in the BDRE&DOF, including, but not limited to the following; there is no market for any of the securities and no such market is expected to develop following the placement of the preferred membership units. Significant restrictions on transfer will apply. An investor should be prepared to bear the economic risk of the investment for an indefinite time and be prepared to withstand a total loss of their investment.

Neither the preferred membership units nor the offering of the preferred membership units has been registered under the Securities Act or under any securities laws, and neither the Securities Exchange Commission nor any state or any regulatory authority has passed or endorsed the terms or merits of the preferred membership units or this offering

BDRE&DOF is a newly formed fund with no operating history. There is a lack of investor management rights. There is no assurance of investment return as well as numerous management and operational risks. There may be disproportionate fund organization and offering expenses. There is a risk associated with the determination of the appreciation factor. Any appreciation factor will not necessarily reflect the value of the Fund's assets or the Preferred Units being purchased in connection with any Appreciation Factor payment. An investment in the BDRE&DOF has many of the same risks of general real estate investments. An investment in the BDRE&DOF lacks diversity. BDRE&DOF also has many of the risks arising from investments in commercial assets, from financing of real estate mortgages, as well as rising interest rates.

Investors should also be aware of potential conflicts of interest among managers as well as tax and regulatory risks. Additional risks are disclosed in the BDRE&DOF disclosure documents, private placement memorandum, etc.

(25) Illustrative specific risks associated with Managed Tail Risk Portfolio

Credit risk: Some investment vehicles selected in this portfolio may be Exchange Traded Notes or other debt instruments which are not direct investments in the underlying securities and are

subject to the counterparty credit risk of the issuer. A party to a transaction may fail to meet its obligations, which may result in the vehicle losing money or the benefits of the transaction or prevent the Fund from selling or buying other securities to implement its investment strategies. Such vehicles may also drop in price due to a downgrade in the issuer's credit rating, despite the underlying market benchmark or strategy remaining unchanged.

**Exchange-Traded Product Risk and Fees:** The portfolio may also invest in Exchange Traded Funds (ETF) investments and other Exchange Traded Products which generally present the same primary risks as an investment in a conventional vehicle (i.e., one that is not exchange traded). Investing in an ETP may incur additional fees and/or expenses, which would, therefore, be borne indirectly by the portfolio in connection with any such investment.

**Leverage Risk:** Leverage risk is created when an investment (such as a derivative transaction) exposes the portfolio to a level of risk that exceeds the amount invested. Changes in the value of such an investment magnify the portfolio's risk of loss and the potential for gain.

**Risk of Loss In Principal:** There is no guarantee that the strategy will be successful in mitigating downside volatility and tail risk during periods of market stress. This is particularly the case arising from sudden spikes in volatility such as a natural disasters or acts of war. When these events occur, the equity market is likely to drop abruptly and the volatility will rise suddenly, potentially resulting in substantial losses.

**Liquidity Risk:** The portfolio invests in securities, which may be less readily marketable and may be subject to greater fluctuation in price and a large bid – ask spread than other securities.

**Underperformance Risk:** Due to costs of the volatility management and hedging strategy, the portfolio may underperform during rising markets.

**Relative New Portfolio Strategy:** The volatility management strategies typically employed by the investment vehicles in the portfolio are relatively new, increasing the risk that the portfolio may fail to realize its goals.

**Risks of Investing in Derivative Contracts and Hybrid Instruments:** Derivative contracts and hybrid instruments involve risks different from, or possibly greater than, risks associated with investing directly in securities and other traditional investments. Specific risk issues related to the use of such contracts include valuation and tax issues, increased potential for losses and/or costs, and a potential reduction in gains. Derivative contracts and hybrid instruments may also involve other risks such as stock market, interest rate, credit, currency, liquidity and leverage risks.

Additional risks include but are not limited to general market risk, equity investing risk, investment style risk, swap risk, non-correlation risk, and non-diversified fund risk.

## (26) General Risks of Investing in Hedge Funds and Managed Futures

When considering alternative investments, such as hedge funds and managed futures, you should consider various risks including the fact that some hedge fund and managed futures products use leverage and other speculative investment practices that may increase the risk of investment loss, can be illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager.

With respect to alternative investments, such as hedge funds and managed futures, in general, you should be aware that:

- Returns from some alternative investments, including hedge funds and managed futures, can be volatile
- You may lose all or portion of your investment
- With respect to single manager products the manager has total trading authority. The use of a single manager could mean a lack of diversification and higher risk
- Many alternative investments that include hedge funds and managed futures are subject to substantial expenses that must be offset by trading profits and other income. A portion of those fees is paid to Altegris
- Trading may take place on foreign exchanges that may not offer the same regulatory protection as US exchanges
- With respect to an investment in a hedge fund or managed futures fund, you should be aware that:
- There is often a lack of transparency as to the fund's underlying investments
- With respect to hedge fund of funds, the fund's manager has complete discretion to invest in various sub-funds without disclosure thereof to you or to us. Because of this lack of transparency, there is no way for you to monitor the specific investments made by the hedge fund or to know whether the sub-fund investments are consistent with the hedge fund's historic investment philosophy or risk levels
- A hedge fund of funds invests in other funds and fees are charged at both the fund and sub-fund level. Thus the overall fees you will pay will be higher than you would pay by investing directly in the sub-funds. In addition, each sub-fund charges an incentive fee on new profits regardless of whether the overall operations of the fund are profitable
- There is no secondary market for fund interests. Transfers of interests are subject to limitations. The fund's manager may deny a request to transfer if it determines that the transfer may result in adverse legal or tax consequences for the fund

A hedge fund's Offering Memorandum or a money manager's Disclosure Document describes the various risks and conflicts of interest relating to an investment and to its operations. You should read those documents carefully to determine whether an investment is suitable for you in light of, among other things, your financial situation, need for liquidity, tax situation, and other investments.

Keep in mind that the past performance of any investment is not necessarily indicative of future results. You should only commit risk capital to any Investment Product. Alternative investment products, including hedge funds and managed futures, are not for everyone and entail risks that are different from more traditional investments. You should obtain investment and tax advice from your advisers before deciding to invest.

Hedge funds, commodity pools and other alternative investments involve a high degree of risk and can be illiquid due to restrictions on transfer and lack of a secondary trading market. They can be highly leveraged, speculative and volatile, and an investor could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation and portfolio holdings. Complex tax structures often result in delayed tax reporting. Compared to mutual funds, hedge funds and commodity pools are subject to less regulation and often charge higher fees. Alternative investment managers typically exercise broad investment discretion and may apply similar strategies across multiple investment vehicles, resulting in less diversification. Trading may occur outside the United States which may pose greater risks than trading on U.S. exchanges and in U.S. markets. Past results are not necessarily indicative of future results.

#### (26a) Illustrative Risks for Investors in Citadel Multi-Strategy Fund

Absence of Regulation: The Interests of the Fund and Underlying Fund are neither registered with the SEC nor with any state regulator. Similarly, neither the Fund nor the Underlying Fund is subject to SEC regulation as an investment company. Therefore, an investment in the Fund is not subject to the same registration and disclosure requirements, and does not benefit from the same investor protection regulations, as are applicable to mutual funds. For example, unlike mutual funds, there are no specific rules on hedge fund pricing or pricing over-the-counter instruments.

Tax Complexity and Reporting Delays: The Fund's tax structure is complex and investors should expect delays in receiving annual tax information and reports from the Fund.

Investors are likely to be required to seek extensions of their deadline for filing annual income tax returns. The Fund may also generate unrelated business taxable income (UBTI) attributable to debt-financed income at the Underlying Fund level.

Benefit Plan, IRA and Other Tax Exempt Investors: Fiduciaries of benefit plan investors, IRAs and other tax-exempt investors in particular should carefully consider the suitability and prudence of an investment in the Fund in light of any potential for generation of UBTI, lack of diversification, volatility, and/or illiquidity.

Conflicts of Interests: Altegris Investments, Inc. (Altegris), a broker-dealer and FINRA member, recommends a platform of alternative investments, is an affiliate of Altegris Funds, and acts as a selling agent and wholesaling agent with respect to the distribution of Fund interests. Altegris, Altegris Funds and their affiliates and employees (the Altegris Companies) have a financial interest in raising assets through the distribution of Fund interests and in operating the Fund, for which they may receive management fees, selling commissions, potential fee-sharing with other managers or marketing firms, and other compensation. Given this affiliation, representatives of Altegris may receive more for recommending Fund investments than for recommending investments in other products, and the Altegris Companies have a financial incentive to recommend the Fund to prospective investors, and to recommend that existing investors not redeem their interests in the Fund. Altegris Funds and the Underlying Fund Manager sponsor and manage other funds and accounts, which creates potential conflicts of interest between their



duties and obligations to the Fund and Underlying Fund (respectively), and to their other funds or accounts. Such conflicts may not always be resolved in favor of the Fund (or Underlying Fund).

This Fund is subject to numerous risks and conflicts of interest. It invests substantially all of its assets into an underlying hedge fund (“Underlying Fund”) sponsored and advised by an independent third party (“Underlying Fund Manager”) that is not affiliated with Altegris Funds. Altegris Portfolio Management, Inc. (dba “Altegris Funds”) is the general partner or sponsor, as applicable, of this Fund. Unless otherwise noted, references to “Fund” will include the Fund, the Underlying Fund and the Underlying Fund Manager. The summary below is not intended as a complete description of all risks actually or potentially associated with this Fund.

You should only invest risk capital. Any returns from an investment in this fund may not adequately compensate you for the risks assumed. You can lose all or a substantial amount of your investment in this fund. The value of your investment will fluctuate and you may experience a gain or a loss upon redemption. Before deciding to invest, you are urged to carefully read this fund’s entire offering memorandum for a more complete discussion of risks and conflicts, and consult your own legal, investment and tax advisors as to whether this fund is appropriate for your particular investment objectives and financial circumstances.

Important Considerations: Redemptions from this Fund are only permitted on a quarterly basis. This Fund is subject to complex provisions with respect to whether a withdrawal charge will apply and the amount of such withdrawal charge. This Fund will be subject to a pro rata portion of the fees and expenses charged by the Underlying Fund which may result in higher overall fees than if the Underlying Fund charged a set management fee. See the Fund’s and the Underlying Fund’s Offering Memorandum for full details on these and other considerations.

Limited Liquidity: There is no secondary market for, or exchange trading of, Fund interests, and they are non-transferable. Redemptions are permitted only at specific intervals, and only upon substantial advance written notice. Only partial liquidity may be available at each redemption opportunity. This may result in a potentially lengthy time period before an investor is able to entirely redeem from the Fund, during which time the investor remains subject to all risks associated with the Fund, including the risk of losing capital. Redemption proceeds may also be subject to reserves for contingent liabilities and be limited for other reasons at the discretion of Altegris Funds.

Manager Risk: The success of this Fund is dependent upon the ability of the Underlying Fund Manager to identify profitable investment opportunities, which is difficult, requires skill, and involves a significant degree of uncertainty. The Underlying Fund Manager has wide discretion to select strategies and invest without the approval of the Fund or its investors. The Fund does not have custody of the assets invested in the Underlying Fund, and the brokerage firms and banks used by the Underlying Fund for trading and custodial purposes may encounter financial difficulties which could negatively impact the Underlying Fund, and in turn the Fund. There also exists the possibility of loss due to fraud, deviation from disclosed investment strategies, or simply poor judgment, by an Underlying Fund Manager. This is a significant risk for the Fund as it invests substantially all of its assets in the Underlying Fund.

Lack of Diversification: Because the Fund invests substantially all of its assets into the Underlying Fund, this creates a lack of diversification, and potentially increased risk. The varying levels of diversification within the Underlying Fund’s investment portfolio, and among

the various strategies employed by the Underlying Fund Manager, may not effectively mitigate this risk.

**Substantial Fees and Expenses:** The Fund is subject to substantial layers of fees and expenses, which will reduce profitability and your returns. Fees and expenses are charged both by the Fund and the Underlying Fund. The overall fees and expenses you pay will be higher than if you invest directly in the Underlying Fund. Fees and expenses at the Underlying Fund level may include applicable management, performance, incentive or other direct fees, as well as a pro-rata portion of the operating expenses of the Underlying Fund. Performance-based incentive fees charged by the Underlying Manager creates an incentive for it to engage in riskier trading than it might otherwise pursue in the absence of an incentive fee arrangement. In addition, Altegris Funds charges a management or sponsor fee. Each investor also pays a pro rata portion of the Fund's operating expenses, including expenses associated with formation, operations, legal, accounting, auditing, administration, clerical, marketing and the continuous offering of Fund interests, and any extraordinary expenses.

**Lack of Transparency and Valuation Risk:** Because the Fund has limited access to information about specific transactions placed by the Underlying Fund, there is limited opportunity to confirm or monitor whether investments made by the Underlying Fund are consistent with its stated investment objectives, limitations and risk characteristics. The Fund is also limited in its ability to confirm the accuracy of asset valuations provided for the Underlying Fund's investment portfolio, which the Fund relies on in order to value its investment in the Underlying Fund, and in turn, its own net asset value.

**Foreign Investment Risk:** The Fund may invest in or trade with non-U.S. entities and transact on non-U.S. exchanges. Such activities involve risks not typically associated with, and potentially greater than, those associated with US investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Derivatives trading in foreign markets may be outside the jurisdiction of U.S. regulators and the potency of regulation by local authorities may vary greatly, thereby increasing the risk of non-U.S. counterparty default or bankruptcy.

**Leverage:** The Fund will be exposed to leverage, including borrowing to purchase securities and the use of options, swaps or other financial derivatives that have inherent or imbedded leverage, or other forms of direct or indirect borrowing. This will cause the Fund to incur additional expenses, will magnify the Fund's potential gains or losses, and in turn increase the volatility of Fund returns.

**Credit Risk:** Investments by the Fund in fixed income securities will expose it to credit risk, meaning the risk that issuers and counterparties to the Fund's investments in debt securities will not make scheduled payments, resulting in losses to the Fund. In addition, the credit quality of fixed income securities may be lowered if an issuer's financial condition changes, which also could cause losses to the Fund.

**Derivatives Risk:** The Fund's exposure to swaps or other derivative instruments, directly or indirectly, involves risks different from, or possibly greater than the risks associated with investments directly in securities, including leverage risk and counterparty default risk in the case of over the counter derivatives. Option positions held may expire worthless, exposing the Fund to potentially significant losses.

Commodity Risk: Investments in commodity futures markets may subject the Fund to greater volatility than investments in traditional securities.

Commodity futures prices may be influenced by unfavorable weather, animal and plant disease, geologic and environmental factors as well as changes in government regulation such as tariffs, embargoes or burdensome production rules and restrictions.

Absence of Regulation: The Interests of the Fund and Underlying Fund are neither registered with the SEC nor with any state regulator. Similarly, neither the Fund nor the Underlying Fund is subject to SEC regulation as an investment company. Therefore, an investment in the Fund is not subject to the same registration and disclosure requirements, and does not benefit from the same investor protection regulations, as are applicable to mutual funds. For example, unlike mutual funds, there are no specific rules on hedge fund pricing or pricing over-the-counter instruments.

Tax Complexity and Reporting Delays: The Fund's tax structure is complex and investors should expect delays in receiving annual tax information and reports from the Fund.

Investors are likely to be required to seek extensions of their deadline for filing annual income tax returns. The Fund may also generate unrelated business taxable income (UBTI) attributable to debt-financed income at the Underlying Fund level.

Benefit Plan, IRA and Other Tax Exempt Investors: Fiduciaries of benefit plan investors, IRAs and other tax-exempt investors in particular should carefully consider the suitability and prudence of an investment in the Fund in light of any potential for generation of UBTI, lack of diversification, volatility, and/or illiquidity.

Conflicts of Interest: Altegris Investments, Inc. (Altegris), a broker-dealer and FINRA member, recommends a platform of alternative investments, is an affiliate of Altegris Funds, and acts as a selling agent and wholesaling agent with respect to the distribution of Fund interests. Altegris, Altegris Funds and their affiliates and employees (the Altegris Companies) have a financial interest in raising assets through the distribution of Fund interests and in operating the Fund, for which they may receive management fees, selling commissions, potential fee-sharing with other managers or marketing firms, and other compensation. Given this affiliation, representatives of Altegris may receive more for recommending Fund investments than for recommending investments in other products, and the Altegris Companies have a financial incentive to recommend the Fund to prospective investors, and to recommend that existing investors not redeem their interests in the Fund. Altegris Funds and the Underlying Fund Manager sponsor and manage other funds and accounts, which creates potential conflicts of interest between their duties and obligations to the Fund and Underlying Fund (respectively), and to their other funds or accounts. Such conflicts may not always be resolved in favor of the Fund (or Underlying Fund).

#### (26b) Illustrative Risks for Investors in the Altegris Millennium Fund

This Fund is subject to numerous risks and conflicts of interest. It invests substantially all of its assets into an underlying hedge fund ("Underlying Fund") sponsored and advised by an independent third party ("Underlying Fund Manager") that is not affiliated with Altegris Funds. Altegris Portfolio Management, Inc. (dba "Altegris Funds") is the general partner or sponsor, as applicable, of this Fund. Unless otherwise noted, references to "Fund" will include the Fund, the Underlying Fund and the Underlying Fund Manager. The summary below is not intended as a complete description of all risks actually or potentially associated with this Fund.

You should only invest risk capital. Any returns from and investment in this fund may not adequately compensate you for the risks assumed. You can lose all or a substantial amount of your investment in this fund. The value of your investment will fluctuate and you may experience a gain or loss upon redemption. Before deciding to invest, you are urged to carefully read the fund's entire offering memorandum for a more complete discussion of risks and conflicts and consult your own legal, investment and tax advisors as to whether this fund is appropriate for your particular investment objectives and financial circumstances.

**Limited Liquidity:** Redemptions from this Fund are only permitted on a quarterly basis. Redemptions from this Fund are subject to a substantial advance written notice requirement (95 days).

This Fund will be subject to a pro rata portion of the fees and expenses which may result in higher overall fees than if the fund were subject to a set management fee. Redemptions from this Fund are subject to fees or penalties on amounts withdrawn. See the Fund's and the Underlying Fund's Offering Memorandum for full details on these and other considerations.

There is no secondary market for, or exchange trading of, Fund interests, and they are non-transferable. Redemptions are permitted only at specific intervals, and only upon substantial advance written notice. Only partial liquidity may be available at each redemption opportunity. This may result in a potentially lengthy time period before an investor is able to entirely redeem from the Fund, during which time the investor remains subject to all risks associated with the Fund, including the risk of losing capital. Redemption proceeds may also be subject to reserves for contingent liabilities and be limited for other reasons at the discretion of Altegris Funds.

**Manager Risk:** The success of this Fund is dependent upon the ability of the Underlying Fund Manager to identify profitable investment opportunities, which is difficult, requires skill, and involves a significant degree of uncertainty. The Underlying Fund Manager has wide discretion to select strategies and invest without the approval of the Fund or its investors. The Fund does not have custody of the assets invested in the Underlying Fund, and the brokerage firms and banks used by the Underlying Fund for trading and custodial purposes may encounter financial difficulties which could negatively impact the Underlying Fund, and in turn the Fund. There also exists the possibility of loss due to fraud, deviation from disclosed investment strategies, or simply poor judgment, by an Underlying Fund Manager. This is a significant risk for the Fund as it invests substantially all of its assets in the Underlying Fund.

**Lack of Diversification:** Because the Fund invests substantially all of its assets into the Underlying Fund, this creates a lack of diversification, and potentially increased risk. The varying levels of diversification within the Underlying Fund's investment portfolio, and among the various strategies employed by the Underlying Fund Manager, may not effectively mitigate this risk.

**Substantial Fees and Expenses:** The Fund is subject to substantial layers of fees and expenses, which will reduce profitability and your returns. Fees and expenses are charged both by the Fund and the Underlying Fund level. The overall fees and expenses you pay will be higher than if you invest directly in the Underlying Fund. Fees and expenses at the Underlying Fund level include applicable management, performance, incentive or other direct fees, as well as a prorated portion of the operating expenses of the Underlying Fund.

Performance-based incentive fees charged by the Underlying Manager creates an incentive for it to engage in riskier trading than it might otherwise pursue in the absence of an incentive fee

arrangement. In addition, Altegris Funds charges a management or sponsor fee. Each investor also pays a pro rata portion of the Fund's operating expenses, including expenses associated with formation, operations, legal, accounting, auditing, administration, clerical, marketing and the continuous offering of Fund interests, and any extraordinary expenses.

**Lack of Transparency and Valuation Risk:** Because the Fund has limited access to information about specific transactions placed by the Underlying Fund, there is limited opportunity to confirm or monitor whether investments made by the Underlying Fund are consistent with its stated investment objectives, limitations and risk characteristics. The Fund is also limited in its ability to confirm the accuracy of asset valuations provided for the Underlying Fund's investment portfolio, which the Fund relies on in order to value its investment in the Underlying Fund, and in turn, its own net asset value.

**Foreign Investment Risk:** The Fund may invest in or trade with non-U.S. entities and transact on non-U.S. exchanges. Such activities involve risks not typically associated with, and potentially greater than, those associated with US investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Derivatives trading in foreign markets may be outside the jurisdiction of U.S. regulators and the potency of regulation by local authorities may vary greatly, thereby increasing the risk of non-U.S. counterparty default or bankruptcy.

**Leverage:** The Fund will be exposed to leverage, including borrowing to purchase securities and the use of options, swaps or other financial derivatives that have inherent or imbedded leverage, or other forms of direct or indirect borrowing. This will cause the Fund to incur additional expenses, will magnify the Fund's potential gains or losses, and in turn increase the volatility of Fund returns.

**Credit Risk:** Investments by the Fund in fixed income securities will expose it to credit risk, meaning the risk that issuers and counterparties to the Fund's investments in debt securities will not make scheduled payments, resulting in losses to the Fund. In addition, the credit quality of fixed income securities may be lowered if an issuer's financial condition changes, which also could cause losses to the Fund.

**Derivatives Risk:** The Fund's exposure to swaps or other derivative instruments, directly or indirectly, involves risks different from, or possibly greater than the risks associated with investments directly in securities, including leverage risk and counterparty default risk in the case of over the counter derivatives. Option positions held may expire worthless, exposing the Fund to potentially significant losses.

**Commodity Risk:** Investments in commodity futures markets may subject the Fund to greater volatility than investments in traditional securities. Commodity futures prices may be influenced by unfavorable weather, animal and plant disease, geologic and environmental factors as well as changes in government regulation such as tariffs, embargoes or burdensome production rules and restrictions.

#### (27) Illustrative Risks for Investors in Altegris Winton Futures Fund, LP Class B

This Fund is subject to numerous risks and conflicts of interest. Altegris Portfolio Management, Inc. (dba "Altegris Funds"), the Fund's general partner and sponsor, has engaged an independent, unaffiliated commodity trading advisor (the "Manager") to trade the Fund's futures

portfolio pursuant to its proprietary trading program. The summary below is not intended as a complete description of all risks actually or potentially associated with this Fund.

You should only invest risk capital. Any returns from an investment in this fund may not adequately compensate you for the risks assumed. You can lose all or a substantial amount of your investment in this fund. The value of your investment will fluctuate and you may experience a gain or a loss upon redemption. Before deciding to invest, you are urged to carefully read this fund's entire offering memorandum for a more complete discussion of risks and conflicts, and consult your own legal, investment and tax advisors as to whether this fund is appropriate for your particular investment objectives and financial circumstances.

Limited Liquidity: There is no secondary market for, or exchange trading of, Fund interests, and they are non-transferable. Redemptions are permitted only at specific intervals, and only upon substantial advance written notice. Only partial liquidity may be available at each redemption opportunity. This may result in a potentially lengthy time period before an investor is able to entirely redeem from the Fund, during which time the investor remains subject to all risks associated with the Fund, including the risk of losing capital. Redemption proceeds may also be subject to reserves for contingent liabilities and be limited for other reasons at the discretion of Altegris Funds.

Manager Risk: The success of this Fund is dependent upon the ability of the Manager to identify profitable investment opportunities, which is difficult, requires skill, and involves a significant degree of uncertainty. The Manager has wide discretion to pursue its futures trading program and select investments without the approval of the Fund or its investors. There also exists the possibility of loss due to the Manager's fraud, deviation from stated investment strategies of its trading program, or simply poor judgment. This is a significant risk for the Fund as it has engaged the Manager, and delegated to it, full discretion over the management of the Fund's commodity futures investment portfolio.

Lack of Diversification: There may exist varying levels of diversification or lack thereof, within the commodity futures investment portfolio traded by the Manager on behalf of the Fund pursuant to its trading program, the details of which are described in the Fund's Offering Memorandum.

Substantial Fees and Expenses: The Fund is subject to substantial fees and expenses, which will reduce profitability and your returns. Fees and expenses included applicable management, performance, incentive or other direct or indirect fees or charges (including a brokerage charge), and are charged by the Fund, the Manager, and other service providers to the Fund. The performance-based incentive fee charged by the Manager creates an incentive for it to engage in riskier trading than it might otherwise pursue in the absence of an incentive fee arrangement. Each investor also pays a pro rate portion of the Fund's operating expenses, including expenses associated with formation, operations, legal, accounting, auditing, administration, clerical, marketing and the continuous offering of Fund interests, and any extraordinary expenses.

Lack of Transparency: Because of the nature of the investments and lack of transparency to investors, there is no way for investors in the Fund to monitor the specific investments made by

the Fund on a real time basis, or to monitor whether they are consistent with the Fund's and the Manager's investment strategy and trading programs.

Commodity Risk: Investments in the commodity futures markets may subject the Fund to greater volatility than investments in traditional securities. Commodity futures prices may be influenced by unfavorable weather, animal and plant diseases, geologic and environmental factors as well as changes in government regulation such as tariffs, embargoes or burdensome production rules and restrictions.

Leverage: The Fund's investments are speculative and are leveraged, as it trades futures contracts and other derivatives in various markets including foreign markets. Futures trading can be highly leveraged, resulting in volatile returns and fluctuations in value. Leverage increases both the Fund's upside and downside potential, and may cause the Fund to incur additional expenses.

Derivatives Risk: The Fund's exposure to any over-the-counter swaps or other non-exchange traded derivative instruments, directly or indirectly, involves risks different from, or possible greater than the risks associated with exchange-traded futures and other instruments, including leverage risk and counterparty default risk. Option positions held may expire worthless, exposing the Fund to potentially significant losses. Derivatives trading in foreign markets may be outside the jurisdiction of U.S. regulators and the potency of regulation by local authorities may vary greatly, thereby increasing the risk of non-US counterparty default or bankruptcy.

Foreign Investment Risk: The Fund may trade on U.S. futures, forwards, or options and other derivatives on markets located outside of the U.S. which involves risks not typically associated with U.S. investments, including adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards. Investing in emerging markets impose risks different from, or greater than, risks of investing in foreign developed countries.

Foreign Currency Risk: Foreign currency trading involves market risk, credit risk and country risk, with market risk resulting from potential adverse changes in exchange rates in currencies the Fund may be long or short, credit risk due to risk of default by currency-trading counterparties, and country risk due to potential government interference with currency transactions.

Credit Risk: Assets not allocated to the Manager for commodity futures trading are invested by the Fund in a variety of typically investment grade fixed income securities. Fixed income securities expose the Fund to credit risk, meaning the risk that issuers and counterparties to the Fund's investments in debt securities will not make schedule payments, resulting in losses to the Fund. In addition, the credit quality of fixed income securities may be lowered if an issuer's financial condition changes, which also could cause losses to the Fund.

Absence of Regulation: The Manager and Altegris Funds are registered with the CFTC, but interests in the Fund are not registered with SEC or with any state regulator, and the Fund is not

subject to regulation by the SEC as an investment company. Therefore, an investment in the Fund is not subject to the same registration and disclosure requirements, and does not benefit from the same investor protection regulations, as are applicable to mutual funds. For example, unlike mutual funds, there are no specific rules on hedge fund pricing or pricing over-the-counter instruments.

The Fund is available only to “qualified eligible persons” as defined in Rule 4.7 of the Commodity Futures Trading Commission (CFTC). The Fund’s offering memorandum is not required to be, and has not been, filed with the National Futures Association in reliance on CFTC Rule 4.7.

Tax Complexity and Reporting Delays: The Fund’s tax structure is complex and investors may experience delays in receiving annual tax information and reports from the Fund, which may require investors to seek extensions of their deadline for filing annual income tax returns. Futures contracts that are “Section 1256 contracts” under the Internal Revenue Code are “marked to market” as if sold at the end of each taxable year, with net gain or loss, if any, typically characterized as 40% short term and 60% long term capital gain. This may result in a tax liability to you without a corresponding distribution.

Benefit Plan, IRA and Other Tax Exempt Investors: Fiduciaries of benefit plan investors, IRAs and other tax-exempt investors in particular should carefully consider the suitability and prudence of an investment in the Fund, and in managed futures in light of potential lack of diversification, risk of loss, volatility, or illiquidity.

Conflicts of Interest: Altegris Investments, Inc. (Altegris), a broker-dealer and FINRA member, recommends a platform of alternative investments, is an affiliate of Altegris Funds, and acts as a selling agent and wholesaling agent with respect to the distribution of Fund interests. Another affiliate of Altegris Funds acts as the Fund’s futures introducing broker and receives: (i) a portion of brokerage commissions paid by the fund to its FCM; (ii) a portion of the interest income paid on Fund assets deposited at the FCM; and (iii) additional brokerage charges in varying amounts for brokerage related services pursuant to a formula described in the Fund’s offering memorandum. As such, Altegris, Altegris Funds and their affiliates and employees (the Altegris Companies) have a financial interest in raising assets through the distribution of Fund interests and in operating the Fund, for which they may receive management fees, administrative fees, selling commissions, potential fee sharing with other managers or marketing firms, and other compensation. Given this affiliation, representatives of Altegris may receive more for recommending Fund investments than for recommending investment in other products, and the Altegris Companies have a financial incentive to recommend the Fund to prospective investors, and to recommend that existing investors not redeem their interests in the Fund. Altegris Funds and the Manager sponsor and manage other funds and accounts, which creates potential conflicts of interest between their duties and obligations to the Fund, and to their other funds or accounts. Such conflicts may not always be resolved in favor of the Fund.

#### Commodity Pool Risk Statement



The commodity futures trading commission does not pass upon the merits of participating in any commodity pool nor does the commission pass on the adequacy or accuracy of a commodity pool's disclosure document.

You should carefully consider whether your financial condition permits you to participate in a commodity pool. In so doing, you should be aware that futures and options trading can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the pool and consequently the value of your interest in the pool. In addition, restrictions on redemptions may affect your ability to withdraw your participation in the pool.

Further, commodity pools may be subject to substantial charges for management, and advisory and brokerages fees. It may be necessary for those pools that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets. The pool's disclosure document contains a complete description of each expense to be charged this pool and a statement of the percentage return necessary for it to break even, that is, to recover the amount of your initial investment. You should carefully study those sections of the pool's disclosure document prior to making an investment decision.

This brief statement cannot disclose all the risks and other factors necessary to evaluate your participation in this commodity pool. Therefore, before you decide to participate in this commodity pool, you should carefully study the pool's disclosure document, including a description of the principal risk factors of this investment.

You should also be aware that this commodity pool may trade foreign futures or options contracts. Transactions on markets located outside the United States, including markets formally linked to a United States market, may be subject to regulations which offer different or diminished protection to the pool and its participants. Further, United States regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-United States jurisdictions where transactions for the pool may be affected.

You should also be aware that this commodity pool may engage in off-exchange foreign currency trading. Such trading is not conducted in the interbank market. The funds that the pool uses for off-exchange foreign currency trading will not receive the same protections as funds used to margin or guarantee exchange-traded futures and option contracts. If the pool deposits such funds with a counterparty, and that counterparty becomes insolvent, the pool's claim for amounts deposited or profits earned on transactions with the counterparty may not be treated as a commodity customer claim for purposes of subchapter IV of chapter 7 of the bankruptcy code and the regulations thereunder. The pool may be a general creditor and its claim may be paid, along with the claims of other general creditors, from any monies still available after priority claims are paid. Even pool funds that the counterparty keeps separate from its own funds may not be safe from the claims of priority and other general creditors.

(27) General: Risks Associated with Managed Futures and Commodities

There are substantial risks and conflicts of interests associated with Managed Futures and commodities accounts, and you should only invest risk capital. The success of an investment is dependent upon the ability of a commodity trading advisor (CTA) to identify profitable investment opportunities and successfully trade. The identification of attractive trading opportunities is difficult, requires skill, and involves a significant degree of uncertainty. CTAs have total trading authority, and the use of a single CTA could mean a lack of diversification and higher risk. The high degree of leverage often obtainable in commodity trading can work against you as well as for you, and can lead to large losses as well as gains. Returns generated from a CTA's trading, if any, may not adequately compensate you for the business and financial risks you assume. You can lose all or a substantial amount of your investment. If you use notional funding, you may lose more than your initial cash investment. Managed Futures and commodities accounts may be subject to substantial charges for management and advisory fees. It may be necessary for accounts that are subject to these charges to make substantial trading profits in order to avoid depletion or exhaustion of their assets. The disclosure document contains a complete description of each fee to be charged to your account by a CTA. CTAs may trade highly illiquid markets, or on foreign markets, and may not be able to close or offset positions immediately upon request. You may have market exposure even after the CTA has a request for closure or liquidation. Past results are not necessarily indicative of future results.

(28) General Risks Associated with Corsair Capital Partners

An investment in Corsair involve a significant degree of risk, including the possibility of a total loss of investment. There can be no assurance that the fund will achieve its investment objective. The Fund is exposed to other risks: limited operating history, reliance on the Investment Managers, limited liquidity, investment and trading risks. Read the Fund's Confidential Offering Memorandum carefully before investing.

No representation is being made that any account will or is likely to achieve profits or losses similar to those shown in the prospectus. In fact, there frequently are sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they generally are prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can account completely for the impact of financial risk in actual trading. There are numerous other factors related to the markets in general or to the implementation of any specific trading program. Corsair has a limited operating history thus a limited reliance on the Investment Manager.

Past performance of Corsair Capital is not necessarily indicative of future results of Corsair Capital. There can be no assurance that Corsair Capital will continue to have a similar return on

invested capital because, among other reasons, there may be differences in economic and market conditions, regulatory and political climate, portfolio size, investment opportunities, expenses and structure.

Read the fund's confidential offering memorandums and other disclosure materials before investing.

## **ITEM 9: Disciplinary Information**

Regatta has no disciplinary information to report.

## **ITEM 10: Other Financial Industry Activities and Applications**

No management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Both Eric A. Greschner and Rudy J. Blanchard are principles of Your Financial Coaches ([www.yourfinancialcoaches.com](http://www.yourfinancialcoaches.com)) a division of Regatta Research & Money Management, LLC that provides an array of on-location and on-line training, continuing education and certification programs for financial professionals and organizations throughout the world.

Eric A. Greschner is a founder of and partner in the Transit Oriented Development Group (TOD), LLC, a Colorado Limited Liability Company ("The TOD Group") organized by John Renne, Peter Rodrigues, Kara Mattini Renne, Darin Short, and Eric Greschner on April 13, 2007. Eric Greschner is a 14.3% owner in the TOD Group. Regatta does not have any ownership, interest, or receive any compensation from the TOD Group. Regatta is also not involved in management or operations of the TOD Group or the Denver TOD.

The TOD Group acts as a master developer and consulting group to private and public sector entities, including the Denver TOD. The TOD Group acquired and works to develop and sell the Federal Parcel or portions thereof. The Management Agreement calls for The TOD Group to provide for our day-to-day management and to perform other duties including the following:

- formulate and oversee the implementation of strategies for the acquisition, rezoning, planning, administration, promotion, management, operation, maintenance, improvement, financing and refinancing, marketing, leasing and disposition of the Federal Parcel;
- structure the terms and conditions of the real estate acquisition and sale or lease;
- arrange for financing and refinancing of the Federal Parcel, if necessary;
- review and analyze the Federal Parcel's operating and capital budgets;
- review and analyze financial information for the Federal Parcel; and
- engage agents and representatives on behalf of the TOD Group.

Neither the TOD Group nor its Principals receive commissions or other compensation in connection with this private placement offering, except that TOD Group shall be reimbursed for up to 1.5% of the gross offering proceeds as an Acquisition Fee to cover offering expenses and expenses related to the acquisition of the Federal Parcel.

Distributions attributable to any part or portion of the Federal Parcel and net liquidation proceeds will be apportioned as between the Investors and The TOD Group as follows:

- (i) First Level of Preferred Return: 100% to the Investors in proportion to their contributed capital until they have received distributions equal to their capital contributions and an 8% per annum cumulative return, compounded annually as calculated on their capital contributions;
- (ii) Second Level of Preferred Return: 80% to the Investors in proportion to their contributed capital and 20% to The TOD Group as the holder of the Common Membership Units until holders of the Preferred Membership Units have received distributions equal to an 20% per annum cumulative return, compounded annually as calculated on their capital contributions;
- (iii) Third Level of Preferred Return: 65% to the Investors and 35% to The TOD Group as the holder of the Common Membership Units as incentive distributions until holders of the Preferred Membership Units have received distributions equal to an 30% per annum cumulative return, compounded annually as calculated on their capital contributions; and
- (iv) After Third Level of Preferred Return: thereafter, 50% to the holders of the Preferred Membership Units in proportion to their contributed capital and 50% to The TOD Group as the holder of the Common Membership Units as additional incentive distributions.

The TOD Group will manage the Company pursuant to a Management Agreement in accordance with an operating plan that is to be prepared by The TOD Group and approved by the Company. Upon the completion of this offering, the Company will have incurred an acquisition fee payable to The TOD Group in the amount of 1.5% of the gross proceeds from the offering for services in connection with the selection, purchase, of the Federal Parcel (the “Acquisition Fee”). The Acquisition Fee is payable upon receipt of proceeds from the sale of Preferred Membership Units. The Acquisition Fee will not exceed \$52,500.

For asset management services, the Company will pay The TOD Group a quarterly fee equal to one-fourth of 1.5% of the total unreturned capital contributions to the Company. Asset management fees are expected to approximate \$13,125 per quarter. For substantial assistance in connection with the sale of the Federal Parcel, the Company will pay The TOD Group or its affiliates an amount equal to 1.0% of the contract price of each part or portion of the Federal Parcel leased or sold.

Additional information is disclosed in the Denver TOD and TOD Group disclosure documents, private placement memorandum, subscription agreements, etc.

A small number of Regatta clients have been recommended by Eric Greschner to invest in projects managed by the TOD Group. As of March 31<sup>st</sup>, 2013, Denver TOD Group is closed to new Regatta clients.

This relationship creates a conflict of interest for Regatta clients who are also invested in the Denver TOD Group. To reduce any conflicts of interests, Regatta Research & Money Management, LLC does not charge a money management or consulting fee to Regatta clients for any TOD related investments and discloses such conflicts of interest.

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

Regatta Research & Money Management, LLC (“RRMM”) has adopted a Code of Ethics which sets forth high ethical standards of business conduct that RR&MM requires of its employees, including compliance with applicable Federal securities laws. Regatta’s Code of Ethics also includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by RR&MM's covered persons. Among other things, Regatta’s Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also includes oversight, enforcement and recordkeeping provisions. A copy of Regatta's Code of Ethics is available to Regatta's clients or prospective clients upon request.

Eric A. Greschner recommended to a limited number of clients, an investment in the Denver TOD Group. As a Managing Partner in the TOD Group, Eric Greschner has a material financial interest in the Denver TOD, creating a conflict of financial interest, including the incentive for a financial advisor to recommend an investment with a high degree of risk. As of March 31<sup>st</sup>, 2013 this investment is closed to new clients. Conflicts of interest are handled via disclosure and by Regatta not charging a fee to clients invested in Denver TOD.

### **Statement of General Policy**

The Code of Ethics (“Code”) has been adopted by Regatta Research & Money Management, LLC and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”).

The Code establishes rules of conduct for all employees of Regatta Research & Money Management, LLC and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Regatta Research & Money Management, LLC and its employees owe a fiduciary duty to Regatta Research & Money Management, LLC's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Regatta Research & Money Management, LLC continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider

trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

Pursuant to Section 206 of the Advisers Act, Regatta and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that Regatta has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

Regatta and its employees are subject to the following specific fiduciary obligations when dealing with clients: The duty to have a reasonable, independent basis for the investment advice provided; the duty to obtain best execution for a client's transactions where the Firm is in a position to direct brokerage transactions for the Client; the duty to ensure that investment advice is suitable to meeting the Client's individual objectives, needs and circumstances; and the duty to be loyal to clients.

**Prohibition Against Insider Trading:** No supervised person may trade, either personally or on behalf of others (such as investment funds and private accounts managed by Regatta), while in the possession of material, nonpublic information, nor may any personnel of Regatta Research & Money Management, LLC communicate material, nonpublic information to others in violation of the law.

**Personal Securities Transactions General Policy:** Regatta Research & Money Management, LLC has adopted the following principles governing personal investment activities by Regatta Research & Money Management, LLC's supervised persons: The interests of client accounts will at all times be placed first; all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and supervised persons must not take inappropriate advantage of their positions.

**Pre-Clearance Required for Participation in IPOs:** No supervised person shall acquire any beneficial ownership in any securities in an Initial Public Offering for his or her account, as defined herein without the prior written approval of Rudy Blanchard who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the supervised person's activities on behalf of a Client) and, if approved, will be subject to continuous monitoring for possible future conflicts.

**Pre-Clearance Required for Private or Limited Offerings:** No supervised person shall acquire beneficial ownership of any securities in a limited offering or private placement without the prior written approval of Rudy Blanchard who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the supervised person's activities on behalf of a Client) and, if approved, will be subject to continuous monitoring for possible future conflicts.

**Interested Transactions:** No supervised person shall recommend any securities transactions for a Client without having disclosed his or her interest, if any, in such securities or the issuer thereof, including without limitation: any direct or indirect beneficial ownership of any securities of such issuer; any contemplated transaction by such person in such securities; any position with such issuer or its affiliates; and any present or proposed business relationship between such

issuer or its affiliates and such person or any party in which such person has a significant interest.

**Gifts and Entertainment:** Giving, receiving or soliciting gifts in a business setting may create an appearance of impropriety or may raise a potential conflict of interest. Regatta Research & Money Management, LLC has adopted the policies set forth below to guide supervised persons in this area.

General Policy with respect to gifts and entertainment is as follows: Giving, receiving or soliciting gifts in a business may give rise to an appearance of impropriety or may raise a potential conflict of interest; supervised persons should not accept or provide any gifts or favors that might influence the decisions the recipient must make in business transactions involving Regatta Research & Money Management, LLC, or that others might reasonably believe would influence those decisions; modest gifts and favors, which would not be regarded by others as improper, may be accepted or given on an occasional basis. Entertainment that satisfies these requirements and conforms to generally accepted business practices also is permissible; where there is a law or rule that applies to the conduct of a particular business or the acceptance of gifts of even nominal value, the law or rule must be followed.

**Non-Disclosure of Confidential Client Information:** All information regarding Regatta Research & Money Management, LLC's clients is confidential. Information may only be disclosed when the disclosure is consistent with the firm's policy and the Client's direction.

**Security Of Confidential Personal Information:** Regatta Research & Money Management, LLC enforces the following policies and procedures to protect the security of Confidential Client Information: The firm restricts access to Confidential Client Information to those supervised persons who need to know such information to provide Regatta Research & Money Management, LLC's services to clients; any supervised person who is authorized to have access to Confidential Client Information in connection with the performance of such person's duties and responsibilities is required to keep such information in a secure compartment, file or receptacle on a daily basis as of the close of each business day; all electronic or computer files containing any Confidential Client Information shall be password secured and firewall protected from access by unauthorized persons; any conversations involving Confidential Client Information, if appropriate at all, must be conducted by supervised persons in private, and care must be taken to avoid any unauthorized persons overhearing or intercepting such conversations.

**Privacy Policy:** As a Registered Investment Adviser, Regatta Research & Money Management, LLC respects and is committed to protecting the privacy of you, our Client. All supervised persons must comply with SEC Regulation S-P, which requires investment advisers to adopt policies and procedures to protect the "nonpublic personal information" of natural person clients. As part of the strategic wealth management process, we gather a large amount of personal information about you and your financial situation. It is our policy not to disclose any nonpublic personal information about our clients or former clients to unaffiliated third parties; however, in order to facilitate your financial wealth management process, it may be necessary to provide certain specific information to your account custodian(s), estate planning attorney, accountant, or your other advisor(s). These disclosures may include personal information about you such as your name, social security number, assets and income. Furthermore, regulatory authorities and law enforcement agencies may periodically review this information in order to determine

compliance with securities laws. We maintain physical, electronic and procedural safeguards that comply with federal standards to protect your privacy.

**Service as a Director:** No supervised person shall serve on the board of directors of any publicly traded company without prior authorization by Eric Greschner or a designated supervisory person based upon a determination that such board service would be consistent with the interest of Regatta Research & Money Management, LLC's clients.

Regatta, its employees and its affiliates may buy and sell for itself any positions recommended to clients including, but not limited to open and closed end mutual funds, registered hedge funds of hedge funds, oil and gas partnerships, limited partnerships, Exchange Traded Funds (ETFs), options, REITs, stocks, bonds, CDs, etc.

Since mutual funds and variable annuity sub-accounts by their nature have large diversified portfolios, and as all strategy trades made on a given day are assigned the same buy or sell price, there is no allocation policy necessary for such shares or for those shares who have specific morning trade closes as well as end of day closes; regatta does not restrict its employees or agents with respect to trading in such investments provided, however, that Regatta does not permit its employees to trade on the basis of material, non-public information.

At any time Regatta's investment trading strategies involves the purchases and sales of securities in addition to obligations of the United States, shares of registered open-end investment companies and/or variable annuity/life sub-accounts, Regatta's stated policy will then require that no officer or employee (hereinafter called "Associate") with prior trading knowledge shall purchase or sell any security (other than obligations of the United States or shares of registered open-end investment companies) unless the Associate first obtains the approval of Eric Greschner or Rudy Blanchard, who may refuse to approve any proposed trade by an Associate that: (a) involves a security that is being purchased or sold by Regatta on behalf of any advisory account or is being considered for purchase or sale; (b) is otherwise prohibited by any internal policies of Regatta; (c) breaches the advisory representative's fiduciary duty to any advisory client; (d) is inconsistent with applicable law, including the Advisers Act and the Employment Retirement Income Security Act of 1974; (e) creates an appearance of impropriety.

### **Principal Trading Policy**

Regatta Research & Money Management, L.L.C.'s policy is to not to engage in any principal transactions.

## **ITEM 12: Brokerage Practices**

**12.1** Regatta considers factors when selecting a broker dealer to work with in an ongoing business relationship. It is in our clients' best interests, as well as Regatta's, to obtain the best value for the services rendered. Regatta looks at trade costs, size of trades allowed, how favorable the execution will be, timeliness of the execution, servicing of accounts, etc.

### **Best Execution Practices**

Regatta conducts periodic reviews of the firm's brokerage and best execution practices, evaluates services and documents these reviews. A Best Execution file is maintained for the information that is obtained and used by Regatta for its periodic best execution reviews and analysis and to



document the firm's best execution practices for custodians, such as Fidelity, etc. Regatta periodically analyzes the custodians utilized according to a variety of variables including, the quality of executions (Clearing, settlement, trade errors and willingness to correct it, number and handling of any trading errors, quality of confirmations, ability to handle trades and answer calls in a volatile market-staffing commitment), any research provided to Regatta, commission rates and competitiveness, as well as overall brokerage relationships (including responsiveness, reputation for integrity, access to company insiders, communications, financial strength, facilities, technology, and infrastructure to work with RIA), access to IPO's, and comparison against competitors, among other things.

To achieve best execution, Regatta will normally attempt to "bunch" or block client orders where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally on a pro-rated basis.

Regatta may be unable to "bunch" or block orders if the Client has transferred existing securities positions to a custodian utilized by Regatta, and the Client wishes to sell or add to existing positions or to purchase new securities positions that are not part of Regatta's current investing strategy. Regatta may also be unable to "bunch" or block orders if Regatta elects to purchase positions in a client's account, who has recently created a money management relationship with Regatta to bring the new client's account in line with existing clients' account positions, and the new client is the only account where new positions are being initiated. If bunch or block trading is not available or not feasible, clients may pay higher commissions as a result.

### **Trading Policies**

The general policy of Regatta is for each client to have the same holdings in the same percentage and traded at the same time as the relevant model/strategy. In practice, deviations may occur based on an active decision to do so due to the portfolio manager or financial advisor's knowledge of/or changes in client's specific goals, risk profile, where the deviance from the model would be in furtherance of a client's interests. Deviations may also occur if the client changes models, i.e. Aggressive to Conservative as vestigial positions may take some time to be removed. Availability or lack of availability of bonds, CDs, REITs, options, funds, etc. may also cause deviations from the model. In the case of a limited number of offerings of a particular investment, it is Regatta's policy to adopt a rotational approach based on account number. Deviations may also occur due to the amount of available cash in client's account, the existence of certain non-discretionary positions that client bought or sold in the account or a position the client elected to keep in their account that was transferred from a prior custodian, etc. Deviations may also occur due to the inability to get all mutual fund trades in before the market closes in the event a last minute trading decision is made by Regatta. Occasionally, software issues or Internet access issues may also intervene.

### **Soft Dollar Arrangements**

Regatta does not accept commissions or soft dollars. Soft dollars are defined as an arrangement in which the investment manager directs commissions generated by a transaction to a third party or an in-house party in exchange for services. As a matter of policy and practice, Regatta does not utilize research, research-related products and other services obtained from broker-dealers or third parties on a soft dollar commission basis. Regatta may receive from certain broker/dealers, trust companies, mutual funds, variable annuities and other Investment Advisors computer software and services related to account management which permit Regatta to transmit trading

instructions and receive account information, including trade confirmations and account inventories electronically via computer modem. Occasionally, these entities will provide financial assistance to advisers for, among others: conferences, sales, employee training programs, travel and lodging expenses for meetings and seminars held at remote locations, and gifts of nominal value as permitted under applicable regulations. Increased transaction fees are not incurred by Regatta's clients for the assistance rendered by these entities.

### **Agency Cross Transactions**

Regatta's policy and practice is not to engage in agency cross transactions.

### **12.2 Brokerage for client referrals**

When selecting or recommending a broker dealer, neither Regatta or a related person does not receive client referral fees from a broker dealer or a third party.

### **12.3 Directed Brokerage Policy**

Certain clients may direct Regatta as to the broker dealer through which to place trades in the client's account. Under these circumstances Regatta does not have the discretion to choose the broker dealer or the commission rates to be paid on a trade-by-trade basis. In directing the use of a particular broker or dealer, it should be understood that Regatta will not have authority to negotiate commissions among various brokers on a trade by trade basis or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients that have not directed brokerage, or that have directed the use of a different broker.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, Regatta may recommend the use of one of several broker dealers (including, but not limited to Fidelity or American Skandia), provided that such recommendation is consistent with Regatta's fiduciary duty to the client. Regatta clients must evaluate these brokers before opening an account. The factors considered by Regatta when making this recommendation are the broker's ability to provide professional services, Regatta's experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker. Regatta reserves the right to decline acceptance of any client account that directs the use of a broker dealer if Regatta believes that use of the broker dealer would adversely affect our ability to service the account or our fiduciary duty.

## **ITEM 13: Review of Accounts**

Regatta periodically reviews client account and financial plans. Below we describe the reviews and reviewers of the accounts and we include their frequency, different levels, and triggers factors.

Securities held in various accounts are reviewed by Eric Greschner (Portfolio Manager), Rudy Blanchard (Portfolio Manager) and Andrew Pool (Portfolio Manager/Trader) on a daily to quarterly basis. Each Manager reviews a set of accounts specifically handled by that person.

These reviews focus on the analysis of all client's securities with respect to: portfolio objectives, price action of securities, as well as domestic and international market conditions.

Individual accounts are reviewed by the aforementioned reviewers before and after a trade along with the normal performance reviews. These reviews focus on proper trade executions and overall allocation of assets within each portfolio.

Events that would trigger additional reviews include, but are not limited to, changes on client objectives or financial status communicated to Regatta, domestic and international economic, financial, political events, and other events that may affect financial positions.

The main account custodians utilized are Fidelity, American Skandia, Jefferson National, Behringer Harvard, CNL, Inland, Wells, and Community National Bank. Fidelity, Inland and Behringer Harvard provide monthly statements detailing transactions and account positions. CNL, Wells, Jefferson National, and American Skandia provide quarterly statements detailing transactions and account positions. Clients whose accounts are held at these custodians also receive a confirmation statement for each transaction on the account.

## **ITEM 14: Client Referrals and Other Compensation**

"Regatta" has also entered into an agreement with certain of its supervised persons and well as third party consultants/independent contractors, registered broker/dealers, or sales representatives (each a "Solicitor") to refer potential clients to Regatta. If the potential client introduced by a Solicitor becomes a Client of Regatta, Regatta will share the consulting fee or an ongoing share of the quarterly management fee in accordance with a written Solicitor's Agreement. These arrangements create a conflict of interest to the extent that such a referral is not necessarily "unbiased" as the solicitor is, at least partially, motivated by financial gain. Therefore, such a referral may be made even if our advisory services are not the most suitable to a particular client's needs. As these situations present a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees are paid in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship and provide each prospective client with a copy of our Form ADV Part 2 Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between our firm and the solicitor, including the compensation to be received by the solicitor from us; and
3. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

Under no circumstances will a referred client pay more if they come to Regatta Research & Money Management, L.L.C. directly. No third party Solicitor is an employee, agent, officer or affiliate of Regatta and shall have the status of "independent contractor". For purpose of this section, an affiliate of Regatta shall mean any person controlling, controlled by, or under common control with Regatta. Third party Solicitors are not authorized to act in any way on

behalf of Regatta. The Solicitor is not authorized to enter any agreement or undertaking on behalf of Regatta with any person or organization. Regatta may provide marketing support or services to assist Solicitors and their firms. This support may take the form of payment of certain expenses, such as fees to allow Regatta to participate in sales conferences of the soliciting firms, to present seminars for existing and prospective clients, to cover expenses for attendance at informational meetings held by Regatta at its offices or other locations, and reimbursement of costs for sales promotional activities.

Information on the disciplinary history (if any) and registration of Regatta and its associated persons may be obtained by writing to the various State Regulatory Commissions or the United States Securities and Exchange Commission, Washington DC 20549 or by inquiry to Regatta's or Associated Person's Compliance Department or Compliance Officer.

## **ITEM 15: Custody**

Clients will receive account statements from the broker-dealer, bank or other qualified custodian and clients should carefully review these statements. Clients will also receive quarterly billing statements from Regatta and should compare the account statements from the custodian with the billing statements they receive from Regatta.

Regatta does not and will not have direct custody of client's funds or securities, only management authority. The Client agrees that all initial and future contributions, stock certificates, etc. shall be sent directly to the custodian and not to Regatta. Regatta may also suggest that clients use a custodian other than a broker-dealer, such as a bank or trust company. All such custodians are unaffiliated with Regatta and contract directly with the Client.

Payments of management fees and service fees may be made to Regatta (on a quarterly basis) by the custodian holding the Client's funds and securities only when all three of the following criteria are met:

- a) Regatta's Client provides written authorization permitting Regatta's fees to be paid directly from the client's account held by the custodian.
- b) Regatta sends the Client an invoice showing the asset value upon which the fee was calculated, the fee percentage applied to the asset value, and the resulting amount due.
- c) The custodian sends a statement at least quarterly to the Client indicating advisory fees paid directly to Regatta, as well as other disbursements from the account.

Regatta requires that clients open and maintain an account with the appropriate custodian for each Regatta portfolio that the Client is investing in. Client accounts may be established at one or more 'Investment Families'. An Investment Family refers to a mutual fund complex, insurance company, brokerage firm, REIT company, trust company, etc.

## **ITEM 16: Investment Discretion**

Regatta has authority to determine, without specific client consent, the securities to be bought or sold and in what amount, through the account custodians and brokerages, by virtue of a Limited Power of Authority. The authority solely allows Regatta trading authority and the authority to transfer funds to another account in the Client's name with the identical account registration type. Clients may place limitation on Regatta's authority to manage securities accounts on behalf of clients, such as low cost basis, socially responsible investments, etc. All restrictions must be specifically noted and signed by client the Client Investment Policy Statement. At no time may Regatta or its personnel withdraw funds to itself or to a third party, with the exception of management fees and service fees as outlined below. The allocation of securities and the securities invested in within the Client's account may vary from other clients of similar risk profile from time to time depending on the nature of the Client's financial situation, the date the assets are transferred to the custodians, the value of the assets brought over (some funds have investment minimums) etc.

All commissions and fees paid to brokers and to custodians are determined by their standard fee schedule for the services rendered. Regatta will not seek the Client's approval prior to these commissions and fees being paid.

## **ITEM 17: Voting Client Securities**

Regarding Proxy Voting, Regatta will not vote, or give any advice about how to vote proxies held in the Client's Account(s). Regatta will not vote or give any advice on the making of elections relative to any mergers, acquisitions, tender offers, bankruptcy procedures or other types of events pertaining to any Assets held by the Client. If the Client's account(s) is for a pension or other employee benefit plan governed by ERISA, Client directs Regatta not to vote for proxies held in the Account(s) because the right to vote proxies has been reserved to the plan's trustees. Clients may obtain a copy of Regatta's proxy voting policies and procedures upon request.

## **ITEM 18: Financial Information**

There are currently no financial conditions that are reasonably likely to impair our ability to meet contractual commitments to clients.