

Item 1 - Cover Page



Form ADV Part 2A - Firm Brochure

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

November 17, 2016

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

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.

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

Item 2 - Material Changes

In this section, D&D discusses only material changes since the last annual update of our brochure.

The last update of this brochure is January 4, 2016.

The date of the last annual update of this brochure is November 16, 2015.

Since the last annual update of this brochure, ownership of the Firm has expanded to include Mary Beth Grabel, Chief Compliance Officer, and Sarah Schattner, Director of Marketing and Client Service. As a result of the transactions, DeRoy & Devereaux remains 100% employee owned by Jeff Wardlow, Sean Metrose, Gregg Watkins, Mary Beth Grabel and Sarah Schattner.

Item 3 - Table of Contents

Item 1.	Cover Page	1
Item 2.	Material Changes	2
Item 3.	Table of Contents	3
Item 4.	Advisory Business	4
Item 5.	Fees and Compensation	5
Item 6.	Performance-Based Fees and Side-By-Side Management	7
Item 7.	Types of Clients	8
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9.	Disciplinary Information	10
Item 10.	Other Financial Industry Activities and Affiliations	11
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..	12
Item 12.	Brokerage Practices	13
Item 13.	Review of Accounts	16
Item 14.	Client Referrals and Other Compensation	17
Item 15.	Custody	18
Item 16.	Investment Discretion	18
Item 17.	Voting Client Securities	19
Item 18.	Financial Information	19

Item 4 - Advisory Business

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

Individually Managed Separate Accounts

D&D provides investment advisory services for individuals, families, foundations, pension plans and other institutional investors (“Clients”) on a discretionary basis. The Advisor actively manages diversified portfolios of publicly traded stocks and bonds for investors whose objectives are long-term capital appreciation and income growth. The Advisor recommends all types of equity and debt securities including, but not limited to, common stocks, preferred stocks, corporate bonds, U.S. Government securities, mortgage-backed securities, convertible securities, warrants, foreign securities, American Depositary Receipts, master limited partnerships, shares of investment companies including exchange-traded funds, and commercial paper. The portfolios of Clients are managed individually, and no representations regarding uniformity of management or results are made. Clients may impose reasonable restrictions on investing in certain securities or security types.

Services are limited to investment management and do not encompass financial or estate planning, custody, or brokerage. D&D manages portfolios consisting primarily of equity and fixed income securities, so advice is limited to these types of investments. D&D does not undertake to vote corporate proxies on behalf of our Clients, except when specified by our investment management agreement or similar Client agreement. Proxy voting services (performed by an unaffiliated third party) are negotiable.

Assets under management total just over \$1,098,000,000 as of September 30, 2016, all of which are managed on a discretionary basis. The Firm also had non-discretionary assets of over \$145,000,000 as of September 30, 2016. Non-discretionary assets include assets under administration from Unified Managed Accounts (“UMA”) and other model-based strategies.

Wrap or Dual Contract (“SMA”) Account Programs

D&D participates in wrap fee advisory programs sponsored by unaffiliated advisors, broker-dealers, or banks (collectively, the “Sponsors”). Under these programs, the Sponsors are responsible for selection or facilitating the selection of advisors, pre-screening client suitability, most aspects of direct client services, and operations. Clients of the Sponsors are provided separate account advisory services. Trades are placed with brokers specified by the Sponsors. In determining whether to establish a wrap fee program account, a client should be aware that

the overall cost to a client in a wrap fee program may be higher or lower than the client might incur by purchasing the strategies available in the wrap fee program directly from D&D.

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

Under these Programs, the investment product/strategy/style is specified in the Sponsors contract with D&D. See *Item 5 - Fees and Compensation* for details on fees D&D receives for services under these types of Programs.

Model Portfolio Account Programs

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

Under these Model Portfolio Account Programs, the investment product/strategy/style is specified in the Model Clients contract with D&D. See *Item 5 - Fees and Compensation* for details on fees D&D receives for services under these types of Model Portfolio Account Programs.

Item 5 - Fees and Compensation

Direct Compensation

D&D is directly compensated for the services we provide based on the Client’s fee schedule. Fee schedule information is included in the investment management agreement between the Client and D&D. Clients are generally charged quarterly fees in arrears.

Fees are based on the trade date appraisal value of a portfolio’s cash and securities at the end of the calendar quarter, unless specified otherwise by the Client. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

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

Fees are negotiable and may be adjusted to reflect particular account circumstances. These circumstances may include, but are not limited to, the size of the account, account type, nature of account relationship, et cetera. We may provide the same services to D&D family members or friends for no fee or for fees lower than those charged to other Clients. Contracts are cancellable on thirty days written notice by either party. Assets are priced with information provided by custodians and other outside vendors. D&D does not offer performance based fees.

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

Standard quarterly fee rates are as follows:

Individually Managed Separate Accounts

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

Wrap Fee Programs and Model Portfolio Account Programs

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

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

In the case of a dual contract managed account program, the Client is charged a fee by the Sponsor and D&D separately. For model accounts, D&D is compensated directly by the outside firms to which it provides model accounts at a negotiated rate.

Indirect Compensation

D&D may receive indirect compensation in connection with the services we provide through soft dollars or gifts and gratuities. Where applicable, D&D utilizes research and research related products and other brokerage services on a so called soft dollar basis. Soft dollars means that we may use a portion of your commissions to pay for services we have determined are beneficial for our Clients. For more information please refer to *Item 12 - Brokerage Practices*.

Furthermore, D&D may occasionally receive gifts or entertainment from persons with whom it does or seeks to do business, including brokers, or others. These gifts may include non-monetary and promotional items (such as mugs, calendars or gifts baskets) or entertainment such as meals, sporting events or access to conferences. Additionally, D&D may hold business and entertainment meetings for current Clients or prospective Clients. Any acceptance of a gift by a D&D employee must be done in accordance with our Code of Ethics. For more information please review *Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*.

We do not have any affiliated custodians or broker dealers.

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

Performance-Based Fees

D&D does not have any performance-based fees -- that is, fees based on a share of capital gains on or capital appreciation of the assets of a Client (such as a Client that is a hedge fund or other pooled investment vehicle).

Side-By-Side Management

D&D does not currently have any side-by-side arrangements such as when a manager also manages hedge funds, mutual funds, performance-based fee accounts or private funds. Yet given that D&D participates in Wrap SMA and Model Account Programs (see *Item 4 - Advisory Business*), we have adopted and implemented policies and procedures, including those for

trade aggregation, trade allocation, trade rotation, and code of ethics. These are designed to treat Clients fairly and equitably over time.

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

Item 7 - Types of Clients

D&D's Clients generally consist of high net worth individuals, families, foundations, trusts, employee benefit plans, and other institutional investors. D&D's standard minimum account size is \$2 million for individually managed accounts. At the Firm's discretion, a high net worth client's account may be aggregated with other accounts based on a common household to meet the minimum account size. Please see *Item 4 - Advisory Business* for additional information.

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

Methods of Analysis & Investment Strategies

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

D&D invests primarily in equity and fixed income securities. The equity portion of managed portfolios typically consist of 40-60 issues selling at what D&D believes to be a discount to their fundamental investment value, a judgment that is subjective in nature. Stocks may be owned across all market capitalization ranges and style classifications. Portfolios frequently maintain sector and industry weightings significantly different from the market indices, which may lead to increased volatility. The investment time horizon of D&D allows for adverse short-term results as long as it is believed a portfolio's prospects for optimal long-term returns are enhanced. The Advisor professes no ability to forecast market fluctuations or predict the absolute level of future returns. The portfolios of Clients are managed individually, and no representations regarding uniformity of management or results are made.

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

Additional details about our strategies can be obtained at no charge by contacting DeRoy & Devereaux at (248)358-3220, sschattner@deroydevereaux.com or by writing to: DeRoy & Devereaux, 2000 Town Center, Suite 2850, Southfield, MI 48075.

Risk of Loss

Each investment has a differing level of risk. In order to obtain a higher rate of return on investments, the investor must typically accept a higher level of risk. Investing in equities, bonds, exchange traded funds and mutual funds involve risk of loss and volatility of returns that Clients should be prepared to bear. There are no guarantees that an investment strategy will be successful or that Clients will reach their goals. Summaries of material risks are provided below. These summaries are necessarily limited and are presented for general information purposes in accordance with regulatory requirements.

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

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

Portfolios may maintain sector or industry weightings significantly different from the market indices, which may lead to increased volatility. Negative news or events specific to a sector or industry may cause a decline in an account's value. Additionally, a particular style of investing may fall out of favor relative to other styles. During periods when an account maintains exposure to cash or short-term instruments, it may not participate in market movements to the same extent that it would if the account was more fully invested.

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

Fixed income securities are also subject to certain risks such as ***credit risk, interest rate risk, prepayment and extension risk and liquidity risk***. Credit risk involves the risk of an issuer of a fixed income security being unable or unwilling to make timely principal and/or interest payments or to otherwise honor its payment obligations. Further, when an issuer suffers adverse changes in its financial condition or credit rating, the price of its debt obligations may decline.

The value of a bond may also decline due to an increase in the absolute level of interest rates, or changes in the spread between two rates, the shape of the yield curve or any other interest rate relationship. In general, the longer the average maturity of the bond, the more the value will fluctuate in response to interest rate changes.

Prepayment risk is the risk associated with the early unscheduled return of principal on a fixed-income security. This may happen during a period of declining interest rates. Prepayment generally results in reduced cash flow for a bondholder when proceeds from the redemption are reinvested at a reduced interest rate. Rates of prepayment, faster or slower than expected, could reduce an account's yield and/or increase the volatility of the account's portfolio.

Extension risk is the risk of a security's expected maturity lengthening in duration due to the deceleration of prepayments. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities, when interest rates are declining.

Market liquidity risk refers to is an inability to easily exit a position. Adverse market or economic conditions, such as rising interest rates, may adversely affect the liquidity of an investment limiting the ability to sell a security at an advantageous time or price. Furthermore, if a position is large relative to the typical trading volume for that security, it can make it difficult to dispose of the position at an advantageous time or price. Relatively less liquid securities may also be difficult to value. Liquidity risk may be magnified in a rising interest rate environment due to the increased supply in the market that would result from selling activity.

Item 9 - Disciplinary Information

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

Item 10 - Other Financial Industry Activities and Affiliations

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

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

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

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

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

Laree Perez sits on the Board of Directors of Martin Marietta Materials, Inc. (a publicly traded company) where she is the Chair of the Ethics Environment Safety and Health Committee and a member of the Audit Committee. Laree is also on the Board of Directors of a private company, Sunset Memorial Cemetery. Martin Marietta is on D&D's restricted list and as such is prohibited from buy or sell transactions in Client or personal accounts.

In addition to his employment status with the Firm, Gregg Watkins is also an employee of the DeRoy Testamentary Foundation, a Michigan nonprofit corporation. The Corporation's charitable purpose is that of a grant making foundation. Mr. Watkins is the Secretary and one of the Trustees of the Corporation. He also provides portfolio management services to a portion of the Foundation's internally-managed assets as an employee of the Foundation. Mr. Watkins receives a salary and retirement benefits as a result of his employment with the DeRoy Testamentary Foundation. The Foundation is also a Client of DeRoy & Devereaux.

Although we acknowledge Mr. Watkins' outside employment represents a potential conflict of interest, we have assessed the relationship and believe the potential conflict is mitigated, as there is no special consideration provided to the accounts of this Client. We treat all of our Clients in a fair and equitable manner. No Client receives special treatment as compared to any other Client of our Firm. Furthermore, Mr. Watkins does not exercise any control or influence over our Firm's operations as he has a small, non-controlling ownership interest. Mr. Watkins is subject to all of the Firm's compliance policies as a supervised person as well as all applicable

federal and state securities laws, rules and regulations. D&D also monitors the account's activity through interested-party access.

Finally, two firm employees have a passive, non-voting, non-controlling interest in a privately held LLC. This immaterial ownership is a result of prior employment. This company is also in the investment management industry. Neither employee receives compensation nor does this immaterial ownership involve any of the employees' time. Furthermore, neither employee has knowledge of any information that would create a conflict of interest. Employees are provided tax information from this other firm in order to file personal taxes as required by law.

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

D&D recognizes that it is a fiduciary and therefore must serve the interests of its Clients. As a fiduciary, it must adhere to the highest standard of care and diligence in conducting its business activities as is required by law and must be particularly sensitive to situations in which the interests of its advisory Clients may be directly or indirectly in conflict with those of the Advisor or its related persons. Compliance obligations are a priority of the Advisor and, as such, the Advisor has adopted written policies and procedures in accordance with those standards. These policies cover items such as personal securities transactions, political contributions, the giving and receiving of gifts, and the disclosure of outside business activity. The Code also provides for a prohibition on the misuse of material, non-public information. Copies of the D&D Code of Ethics are available to Clients and prospective Clients upon request.

The Advisor has adopted a Code of Ethics intended to limit conflicts of interest in cases where the Advisor, any of the Advisor's employees or any of their related persons, buy or sell securities traded on behalf of Clients for their own accounts. The Code of Ethics states that the Advisor's employees and related persons must act in the best interest of Clients and avoid engaging in business activities, including personal investments that create or appear to create a conflict of interest between D&D and its Clients. The Code is intended to reasonably prevent and detect such conflicts or potential conflicts of interest. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Although the Firm has determined that these situations would not materially interfere with the best interest of D&D's Clients, employee trading is continually monitored.

Transactions on behalf of Clients always take priority over transactions for D&D employees. In addition, all employees are required to receive preapproval from the Chief Compliance Officer ("CCO") or his or her designee on security transactions made in which the individual has control and a beneficial interest, with the exception of security transactions worth less than \$10,000, which do not require preapproval under our de minimis rule. The CCO uses \$10,000 as an approximate level in recognition of the fact that equity prices generally change within a given

trading day. Employees are required to report their personal securities transactions and holdings on an initial and ongoing basis. As a policy, D&D does not invest Client assets in the stock or debt of any corporation for which a D&D employee or related person serves as an officer or director. The Code of Ethics is also designed to ensure that employees are not receiving or providing excessive gifts or other gratuities to or from individuals seeking to do business with the firm, to comply with current regulations intended to ensure that D&D and its employees avoid conflicts of interest and to limit the amount of gifts which is permitted.

Item 12 - Brokerage Practices

Advisors must seek to execute securities transactions for Clients in a manner that the Client's total cost or net proceeds in each transaction is the most favorable under the circumstances. As a fiduciary, we are obligated to seek best execution for our Client transactions. Best execution is not formally defined in the U.S. federal securities laws and the definition of the term is not uniform across the securities industry.

Selection or Recommendation of Brokers

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

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

Research and Other Soft Dollar Benefits

D&D considers the value of research and additional brokerage products and services a broker-dealer provides to our Clients and Firm when it selects broker-dealers for Client transactions.

Under the safe harbor set forth in Section 28(e) of the Securities and Exchange Act of 1934, D&D may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions in recognition of the receipt of these additional products and services. In essence, soft dollars means that we use a portion of your commissions to pay for services we have determined are beneficial to us in the management of Client accounts. Brokerage commissions generated by the trading activities of one Client may be used to provide research to assist D&D in carrying out its responsibilities both for that Client account, as well as other accounts without tracing benefits to commissions generated by a particular Client account. As a fiduciary, we endeavor to always put our Clients' interests first, but Clients should be aware that the receipt of these benefits by our firm is considered to create a conflict of interest.

Research services provided by brokers may include information on individual securities, industries, risk measurement analysis, performance analysis, economic, and portfolio strategy. Research services may be received in the form of access to databases of financial information, written reports, telephone contacts and personal meetings. D&D believes that access to independent investment research is beneficial to its investment decision-making processes and, therefore, to its Clients. Research provided by brokers includes not only proprietary research (created or developed by the broker-dealer), but also research developed by a third party. The Advisor has a soft dollar arrangement with a broker who pays a portion of the fees for a third party research software application that provides analysis of securities and portfolios. In order to receive these benefits, the Advisor must direct transactions to the brokerage firm. Trades placed with this broker may be executed at a rate higher than is available elsewhere. However, the benefits to the Advisor and its collective Clients are deemed to be greater in aggregate than the additional cost which may accompany such transactions.

D&D receives services from several brokerage firms that include software and other technology that provide access to Client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple Client accounts); provide research, pricing information and other market data; facilitate payment of D&D's fees from its Clients' accounts; and assist with back-office functions, record keeping, and Client reporting. The Client account and trade related services are available to D&D regardless of the commission generated.

Broker commission targets are set annually and reviewed periodically. Any services which are partly for research and partly for administrative, marketing or other purposes outside of the safe harbor are prorated; D&D pays cash for the portion that is not research related. This allocation decision is made in good faith.

When using Client brokerage commissions to obtain research or other products or services D&D receives a benefit because we do not have to produce or pay for the research, products or services. Furthermore, the Firm may have an incentive to select or recommend a broker-dealer based on D&D's interest in receiving the research or other products or services, rather than on our Clients' interest in receiving most favorable execution. However, all benefits received from

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

Brokerage for Client Referrals

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

Directed Brokerage

The Advisor does not routinely recommend, request or require that a Client direct us to execute transactions through a specified broker-dealer. However, a Client may request that the Advisor direct brokerage to a specified broker-dealer or direct a portion of the Client's trading to the broker-dealer the Client has selected for their "commission recapture" program.

When directed brokerage is requested by the Client, either as compensation for custody services or otherwise, D&D may be limited in its ability to achieve most favorable execution of Client transactions or may cost Clients more money. For example, D&D may be unable to aggregate trades with other Client accounts and/or D&D may be limited in its ability to achieve best execution and/or negotiate commissions resulting in a Client paying higher commissions or receiving less favorable pricing. This practice may prevent our firm from obtaining favorable net price and execution. Directed brokerage may have a negative impact on performance, as commissions may be higher than those charged to our other Clients and/or executions may be at prices different from those of our Clients who do not direct us to use a specific broker or dealer.

Thus, when directing brokerage business, Clients should consider whether the commission expense, execution, clearance, and settlement capabilities that will be obtained through their broker are adequately favorable in comparison to those that we would otherwise obtain for Clients. Trades where Clients direct to particular brokers are generally executed after trades for which D&D has full brokerage discretion. D&D does not have an affiliated custodian or broker-dealer.

Block Trading/Aggregation of Trades & Trade Allocation

Individual Client trades may be (but are not required to be) aggregated or "blocked" when D&D determines this arrangement is in the Client's best interest. Allocations of aggregated trades will not disproportionately benefit particular Clients. If an aggregated trade order is still open and new orders for the security being traded as a block trade are received by the trader, the new orders may become a part of the existing aggregated order for that security. Clients with directed or designated brokerage arrangements or investment restrictions may be precluded

from participating in “blocked” trades. Non-blocked trade orders for strategy model changes will generally be placed after blocked trade orders.

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

D&D’s Clients in our All Cap Equity strategy participate in a trade rotation procedure as it relates to strategy model changes. This is designed to provide fair treatment to our similar Clients in managed account platforms (such as SMA Wrap or UMA style platforms). In certain instances, D&D may depart from its normal trade rotation to allow for simultaneous entry of trades. These variances from the normal trade rotation will occur at the discretion of D&D based on certain considerations including, but not limited to: liquidity of a security, size of the transaction, market volume, and time constraints. This departure is at the discretion of D&D and is designed to serve the best interest of our Clients.

Error Corrections

Client accounts shall not be harmed by the occurrence of a trade error. Errors are to be corrected in a manner which puts the Client account in a position as if the error did not occur. Each custodian/broker has different policies and processes for the handling of trade errors. When possible, the Advisor will net gains against losses. In the event that a trade error results in a profit, the Advisor does not keep the profit. Net profits are donated to a charity, either by the Custodian or the Firm. The goal of error correction is to make the Client “whole”, regardless of the cost to the Advisor. D&D does not maintain an error account at any broker or dealer. However, for accounting purposes, brokers or dealers may create and maintain an error account in D&D’s name for their processing of debits and credits related to errors.

Item 13 - Review of Accounts

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

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

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

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

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

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

Item 14 - Client Referrals and Other Compensation

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

At D&D's expense, we pay some of our employees for Client referrals as part of their compensation. This compensation is based upon asset size and not based upon recommending one strategy over another.

Item 15 - Custody

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

Valuation Information

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

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

Item 16 - Investment Discretion

The Advisor and Client execute an investment management agreement that stipulates D&D's authority to invest the assets of Clients on a discretionary basis. Unless Clients provide restrictions or directions on certain securities and/or sectors, the portfolio manager will select issues identified as being in the best interest of the Client. Clients are asked annually in writing to notify us promptly if their financial situation, investment objectives, goals or restrictions have changed.

Item 17 - Voting Client Securities

D&D does not usually vote proxies for Clients, who should expect to receive proxies or other solicitations directly from their custodian or transfer agent. Clients may contact the Advisor regarding questions about a particular solicitation.

Proxy Voting

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

Securities Class Actions

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

Item 18 - Financial Information

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