

Form ADV Part 2A: *Firm Brochure*

Item 1 – Cover Page

Palm Valley Capital Management LLC

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Date of Disclosure Brochure: January 2019

This disclosure brochure provides information about the qualifications and business practices of Palm Valley Capital Management LLC (also referred to as we, us and Palm Valley Capital Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Jayme Wiggins at 386-846-0139 or jayme@palmvalleycapital.com. The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Palm Valley Capital Management is also available on the Internet at www.adviserinfo.sec.gov. You can view our firm's information on this website by searching for Palm Valley Capital Management LLC or our firm's CRD number 299896.

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

Item 2 – Material Changes

Palm Valley Capital Management is a newly registered investment adviser and this disclosure brochure dated January 2019 is the first disclosure brochure prepared by our firm. In the future, this item will discuss only specific material changes that are made to the disclosure brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of this disclosure brochure.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Introduction

Palm Valley Capital Management is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Florida.

- Jayme Wiggins is the Chief Compliance Officer (CCO), Managing Member, Co-Chief Executive Officer and a Portfolio Manager of Palm Valley Capital Management. Jayme Wiggins owns 33.335% of Palm Valley Capital Management.
- Eric Cinnamond is the Managing Member, Co-Chief Executive Officer and a Portfolio Manager of Palm Valley Capital Management. Eric Cinnamond owns 33.335% of Palm Valley Capital Management.
- Martin Capital Management, LLC is the Member of Palm Valley Capital Management. Martin Capital Management, LLC owns 33.33% of Palm Valley Capital Management. Frank Martin is the 100% controlling owner of Martin Capital Management, LLC. Please see *Item 10 – Other Financial Industry Activities and Affiliations* for more information.
- Palm Valley Capital Management filed its initial application to become registered as an investment adviser in December 2019.

Description of Advisory Services

Palm Valley Capital Management specializes in providing asset management services to individual client accounts utilizing an investment strategy founded on an absolute return approach to investing. We focus on achieving an attractive risk-adjusted return over a market cycle rather than outperforming a specific benchmark. Please refer to *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* for information about our investment strategy and methods of analysis.

The investment advisory services of Palm Valley Capital Management are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of Palm Valley Capital Management (referred to as your investment adviser representative throughout this brochure).

Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Palm Valley Capital Management before we can provide you the services described below.

Asset Management Services – Palm Valley Capital Management offers asset management services which involves Palm Valley Capital Management providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Limits Advice to Certain Types of Investments

Palm Valley Capital Management provides investment advice on the following types of investments:

- Foreign Issues
- Corporate Debt Securities
- US Government Securities
- Securities Properly Exempted from Registration
- Equities (e.g. individual stock positions), Fixed Income Positions (e.g. bonds)

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

Please refer to *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* for more information.

Client Assets Managed by Palm Valley Capital Management

As a newly registered investment adviser, Palm Valley Capital Management has no assets under management to report as of the date of this Brochure.

Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation

arrangements. The exact fees and other terms will be outlined in the agreement between you and Palm Valley Capital Management.

Asset Management Services

Our standard annual fee for asset management services is 1.00% of your total assets under our management.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

Services continue until terminated by either party (i.e., Palm Valley Capital Management or you) by giving thirty (30) days written notice to the other party. When fees are billed in arrears, Palm Valley Capital Management will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Although our standard annual fee is 1.00%, we can negotiate a lower annual fee rate. Negotiating factors include the type of client, the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

There is a minimum account size of \$1,000,000.

Palm Valley Capital Management believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs.

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Palm Valley Capital Management.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

Fees and expenses, including transaction ticket fees/commissions, charged by the qualified custodian are billed directly to you by the qualified custodian. Palm Valley Capital Management does not receive any

portion of such expenses, fees, or commissions from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Palm Valley Capital Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Palm Valley Capital Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. Palm Valley Capital Management does not receive any portion of such third-party expenses or fees.

Palm Valley Capital Management and our supervised persons do **not** accept or receive compensation based on the sale of securities or other investment products such as asset-based sales charges or service fees from the sale of mutual funds.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this brochure because we do not charge or accept performance-based fees.

Item 7 – Types of Clients

Palm Valley Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

You are required to execute a written agreement with Palm Valley Capital Management specifying the particular advisory services in order to establish a client arrangement with Palm Valley Capital Management.

Minimum Investment Amounts Required

Palm Valley Capital Management requires a minimum of \$1,000,000 in order to open an account. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted to this minimum for the expectation of future account contributions and related-family member accounts..

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

What is the firm's primary method of analysis?

Palm Valley Capital Management uses Fundamental analysis in formulating investment advice. This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

What is the firm's principal investment strategy?

Palm Valley Capital Management's investment strategy is founded on an absolute return approach to investing. We focus on achieving an attractive risk-adjusted return over a market cycle rather than outperforming a specific benchmark.

Risk control is essential to achieving our absolute return goal. We attempt to manage risk through bottom-up quantitative and qualitative analysis, a strict valuation discipline, the management of operating and financial risks of each business (equity), and a flexible and opportunistic approach to the portfolio's cash position.

Our bottom-up quantitative and qualitative analysis is used to identify high quality businesses. We prefer investing in high quality businesses as we believe they can be valued more accurately, are more likely to grow consistently, and are less likely to experience a permanent loss in value. Quality businesses are defined as companies with long operating histories, established market leadership, strong balance sheets, and sustainable free cash flow.

We use the discounted cash flow (DCF) valuation model as our primary valuation methodology. The required rate of return used in the discount model represents our absolute return goal. We also may appraise a business's value based on its net asset valuation in an effort to buy a business at a discount to the value of its balance sheet. Businesses selling at a discount to our DCF or net asset valuations will be considered for purchase. We consider ourselves value investors.

The specific discount rate we use in our valuation model is dependent on the unique risk of each business. Typically, we require a higher rate of return for businesses with higher risk and a lower rate of return for businesses with below-average risk. We consider both operating and financial risk. We define operating risk as the degree of uncertainty associated with a business's cash flows, while financial risk is dependent on a business's balance sheet strength. Assuming we are being adequately compensated to assume risk, we will invest in companies with operating or financial risk. However, in our attempt to avoid permanent losses to capital, we avoid businesses with both forms of risk.

Lastly, in our attempt to manage risk, the strategy has a flexible and opportunistic approach to the portfolio's cash position. The portion of the portfolio invested in cash is a function of the availability of high-quality companies trading at valuations that allow us to achieve our required absolute return goal. Therefore, the level of cash is not a reaction to our views on the market, but it is a result of our bottom-up analysis and valuation discipline. We expect the portfolio's cash levels to fluctuate with the number of equities meeting our buy criteria and absolute return goal.

In conclusion, our strategy of focusing on quality, valuation discipline, and risk management is essential to achieving Palm Valley Capital Management's absolute return goal.

How will we decide which securities to buy and sell?

The equities selected for inclusion into client accounts are those that meet our qualitative standards and required absolute return objective. Preference will be given to stocks that offer the greatest potential for appreciation without permanent loss to capital. Typical position sizes will range from 1% to 4% (5% maximum weight).

We will sell a holding under three circumstances. First, we will sell a holding when it exceeds our valuation. Second, we will sell a holding when our valuation is revised below its market price. This may be a result of an unexpected increase in financial operating risk and/or a shift in one of our valuation variables in our DCF model. Third, we will sell holdings that we can no longer value with a high degree of confidence. Additionally, we will not average down on holdings when our calculated valuation is in decline.

What are the principal risks to the strategy?

We expect portfolios to be defensively positioned during periods of elevated equity valuations. During such periods, it's more likely fewer investments will meet our required absolute return goal. As such, we expect cash levels to be above-average when we consider the valuations of our opportunity set to be expensive. When our cash levels are above-average, the portfolios could incur opportunity cost and significantly lag their benchmark in rising equity markets.

We expect portfolios to be aggressively positioned during periods of depressed equity valuations. During such periods it's likely portfolios' cash levels will be low. Furthermore, we are more likely to invest in companies with operating or financial risk during periods of economic and market weakness. When portfolios' cash levels are low and we are invested in businesses with operating or financial risk, we expect the risk to portfolios' capital will increase.

Palm Valley Capital Management's strategy is most appropriate for investors seeking positive absolute returns over a full market cycle. We do not believe our strategy is suitable for investors focused on near-term relative returns or for investors with fully-invested mandates.

Risk of Loss

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Item 9 – Disciplinary Information

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

Palm Valley Capital Management is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment registered adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure.

Martin Capital Management, LLC

Frank Martin owns and operates Martin Capital Management, LLC, a state-registered investment adviser firm that holds a 1/3 controlling interest in Palm Valley Capital Management. Frank Martin is a licensed investment adviser representative with Martin Capital Management, LLC. Frank Martin provides asset management services and earns advisory fees when providing services through Martin Capital Management.

Palm Valley Capital Management and Martin Capital Management are affiliated companies because Martin Capital Management's ownership interest exceeds the 25% threshold for affiliation. Moreover, Frank Martin is considered a control person and supervised person of Palm Valley Capital Management.

Although Frank Martin is a control person of the firm, he primarily functions as a passive owner not actively involved in the firm's day-to-day functions.

Palm Valley Capital Management is available to serve as investment adviser, providing our asset management services, to Martin Capital Management clients. In these situations, Frank Martin will refer or introduce Martin Capital Management clients to Palm Valley Capital Management. When doing so Martin Capital Management has a conflict of interest to recommend Palm Valley Capital Management because of its ownership interest in our firm and not based exclusively on its clients' interest of receiving the best possible investment advice. To mitigate this conflict of interest, Martin Capital Management fully discloses its ownership interest to all clients and will actively compare the investment strategies offered by Palm Valley Capital Management against its peer group offering similar investment strategies. Martin Capital Management recommendations to use Palm Valley Capital Management are always made on a non-discretionary basis.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Palm Valley Capital Management has established a Code of Ethics to comply with the requirements of Rule 204A-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Palm Valley Capital Management requires its supervised persons to consistently act in your best interest in all advisory activities. Palm Valley Capital Management imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Palm Valley Capital Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

Affiliate and Employee Personal Securities Transactions Disclosure

Palm Valley Capital Management or supervised persons of the firm buy or sell for their personal accounts, investments identical to those recommended to clients. This creates a conflict of interest because we may want to place our investment interests ahead of the investment interests of our clients. To control for this conflict, it is the express policy of Palm Valley Capital Management that all persons supervised in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. As is required by our internal procedures manual, Palm Valley Capital Management and its supervised persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, supervised persons). Any supervised person not observing our policies is subject to sanctions up to and including termination.

Item 12 – Brokerage Practices

Custodian Recommendation for Asset Management Services

For clients that choose to have Palm Valley Capital Management manage accounts through the firm's Asset Management Services, clients will generally establish accounts at a custodian recommended by Palm Valley Capital Management. Please note that custody platforms we recommend may be more expensive than other available platforms and we do not represent or guarantee our recommended platforms are the least expensive in the industry.

Palm Valley Capital Management will periodically review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians and/or broker/dealers will be reviewed through trade journal evaluations. Palm Valley Capital Management also receives benefits that may not be received if the firm did not use the services of a firm-recommended broker/dealer to implement the investment advice provided. These benefits include, but will not necessarily be limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; receipt of compliance publications; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors. No single criteria will validate nor invalidate a custodian or service provider used, but rather, all criteria taken together will be used in evaluating the currently utilized custodian. The use of a recommended broker/dealer is not influenced by any soft dollar services or benefits provided to Palm Valley Capital Management. Further, we do not receive referrals from any broker/dealers.

Directed Brokerage

Although we recommend and in some cases require the use of a particular broker/dealer or custodian, upon request and at the explicit approval of Palm Valley Capital Management, clients are allowed to select a custodian or broker/dealer of their own choosing to be used for their accounts. Clients directing the use of a particular broker/dealer or other custodian must understand that we may not be able to obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients may receive less favorable prices than would otherwise be the case if the client had not designated a particular broker/dealer or custodian. Directed brokerage account trades are generally placed by Palm Valley Capital Management after effecting trades for other clients of Palm Valley Capital Management. In the event that a client directs Palm Valley Capital Management to use a particular broker or dealer, Palm Valley Capital Management may not be authorized to negotiate commissions and may be unable to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct Palm Valley Capital Management to use a particular broker or dealer versus clients who do not direct the use of a particular broker or dealer.

Block Trading Policy

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Palm Valley Capital Management believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Palm Valley Capital Management uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. Palm Valley Capital Management will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Palm Valley Capital Management or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by Jayme Wiggins and Eric Cinnamond, with reviews performed in accordance with your investment goals and objectives.

Statements and Reports

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements in writing directly from the qualified custodian. Additionally, Palm Valley Capital Management provide position and performance reports on a calendar-quarterly basis. Reports can also be provided at meetings with you and upon request. You are strongly encouraged to always compare any reports provided by us against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

Item 14 – Client Referrals and Other Compensation

Palm Valley Capital Management does not directly or indirectly compensate any person for client referrals.

The only compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. Palm Valley Capital Management receives no other forms of compensation in connection with providing investment advice.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Palm Valley Capital Management is deemed to have custody of client funds and securities whenever Palm Valley Capital Management is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Palm Valley Capital Management will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Palm Valley Capital Management is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Palm Valley Capital Management. When clients have questions about their account statements, they should contact Palm Valley Capital Management or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

When providing Asset Management Services, Palm Valley Capital Management maintains trading authorization over your account(s). It is our practice to provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

Provisions for discretionary trading will be memorialized, in writing, in our Asset Management Services-client agreement.

You will always have the ability to place reasonable restrictions on the types of investments purchased in your account(s). You can also place reasonable limitations on the discretionary power granted to Palm Valley Capital Management so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Palm Valley Capital Management does not vote proxies on behalf of clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your account(s).

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client

proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

Item 18 – Financial Information

This *Item 18* is not applicable to this brochure. Palm Valley Capital Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Palm Valley Capital Management has not been the subject of a bankruptcy petition at any time.

Customer Privacy Policy Notice

Commitment to Your Private Information: Palm Valley Capital Management has developed a policy of protecting the confidentiality and security information we collect about our clients. We do not, and will not, share nonpublic personal information about you (“Information”) with outside third parties without your consent, except for the specific purposes described below. This notice has been provided to you to describe the Information we may gather and the situations under which we may need to share it.

Why We Collect and How We Use Information. We limit the collection and use of Information within our firm to only those individuals associated or employed with us that must have Information to provide financial services to you. Such services include maintaining your accounts, processing transaction requests, providing financial planning, financial advisory, and other services described in our Form ADV.

How We Gather Information. We get most Information directly from you when you provide us with information from any of the following sources:

- Applications or forms (for example: name, address, social security number, birth date, assets, income, financial history)
- Transactional activity in your account (for example: trading history and account balances)
- Information services and consumer reporting sources (for example: to verify your identity or to assess your credit history)
- Other sources with your consent (for example: your insurance professional, attorney, or accountant)

How We Protect Information. Our employees and supervised persons are required to protect the confidentiality of Information and to comply with our stated policies. They may access Information only when there is an acceptable reason to do so, such as to service your account or provide you with financial services. Employees who violate our Privacy Policy are subject to disciplinary action, up to and including termination from employment with us. We also maintain physical, electronic, and procedural safeguards to protect information, which comply with applicable SEC, state, and federal laws.

Sharing Information with Other Companies Permitted Under Law. We do not disclose Information obtained in the course of our practice except as required or permitted under law. Permitted disclosures include, for instance, providing information to unrelated third parties who need to know such Information in order to assist us with providing services to you. Unrelated third parties may include broker/dealers,

mutual fund companies, insurance companies, and the custodian with whom your assets are held. In such situations, we stress the confidential nature of information being shared.

Former Customers. Even if we cease to provide you with financial products or services, our Privacy Policy will continue to apply to you and we will continue to treat your nonpublic information with strict confidentiality.

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