

DRH INVESTMENTS, INC.

Form ADV Part 2A The Brochure

Uniform Application for Investment Adviser Registration

January 11, 2019

This brochure (this “Brochure”) provides information about the qualifications and business practices of DRH Investments, Inc. (“DRHI” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (310) 826-1740 and/or by e-mail at info@drhinvestments.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Additional information about DRHI is also available on the SEC’s website at www.adviserinfo.sec.gov.

DRHI is currently registered as an investment adviser with the SEC. This registration does not imply a certain level of skill or training. Adviser may refer to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, Adviser is subject to the rules and regulations under the Investment Advisers Act of 1940, as amended, the Investment Company Act of 1940, and other applicable federal securities laws. Registration as an investment adviser with the SEC is not an indication that Adviser or its directors, officers, employees or representatives have attained a particular level of skill or ability.

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Item 1: Cover Page

Please refer to previous page.

Item 2: Material Changes

The material changes since DRHI's last Annual Brochure filing on March 27, 2018 are as follows:

- DRHI is registered with the SEC as opposed to its former registration status with the State of California Department of Business Oversight.
- DRHI has hired Jon Wieman, CFA, to act as the firm's Chief Compliance Officer, replacing David Hansen, CFA, as the acting Chief Compliance Officer.
- DRHI has moved its office to a new suite (1035) within the same building (previously suite 1020).
- Item 4.D: DRHI's assets undermanagement have grown to approximately \$126,986,342 in discretionary assets and \$0 in non-discretionary assets.

DRHI encourages each client to read this Brochure carefully and to call us with any questions you may have.

Pursuant to SEC regulations, DRHI will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of DRHI's fiscal year end, along with a copy of this Brochure or an offer to provide this Brochure. This Brochure is available upon request and may be requested by contacting DRHI's Chief Compliance Officer, Jon Wieman at (310) 826-1740 or by email at compliance@drhinvestments.com. Additionally, as DRHI experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover, or an updated Brochure.

Additional information about DRHI and its investment adviser representatives is available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4: Advisory Business

A. Description of Firm

DRHI is a Los Angeles-based investment management firm incorporated in 2006. DRHI is registered as an investment adviser with the SEC. DRHI's sole owner is David R. Hansen, CFA, who also serves as President and Chief Investment Officer. Jon Wieman, CFA, serves as DRHI's Chief Compliance Officer ("CCO").

DRHI offers investment management services on a discretionary basis to individuals, high net worth clients, business entities, retirement plans, and non-profit organizations. DRHI offers to appropriate clients a concentrated investment strategy (the "Focused Strategy"), which focuses on investing in a limited number of long equity positions (typically 10 or fewer common stock positions or depositary receipts (e.g., ADRs)), coupled with options to implement hedges and short positions. The Focused Strategy is generally not tailored to the individual needs of clients; however, the Focused Strategy is only offered to appropriate clients based upon individual needs and investment criteria, and clients may impose reasonable mandates or restrictions in writing to satisfy legal, regulatory, or other special concerns. For example, certain clients have restrictions from investing in specific companies or industries and certain other clients restrict the use of options.

In addition to the Focused Strategy, DRHI advises its clients on investment instruments including, but not limited to: common stocks, depositary receipts, fixed income securities, options, exchange traded funds ("ETFs"), exchange traded notes ("ETNs"), individual equities, individual bonds, real estate investment trusts ("REITs"), mutual funds, and cash equivalent instruments. Please refer to *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* for additional information relating to the investment strategies pursued by DRHI and the associated risks.

B. Types of Advisory Services Offered

DRHI provides clients with discretionary investment management services on a continuous basis, according to the investment objectives and strategies approved by the client. All accounts are separately managed and maintained with an independent third party custodian for transparency.

DRHI generally invests client assets in common stocks, depositary receipts, fixed income securities, options, ETFs, ETNs, REITs, mutual funds, and/or cash equivalent instruments. Depending on each client's investment objectives and risk tolerance, DRHI may use covered or uncovered put and call options and other derivative instruments in connection with its advisory services and may purchase securities on margin or other forms of leverage.

As noted above, DRHI may employ or recommend alternative strategies and investment products, such as the use of leverage, hedging or derivatives. Leverage is the use of debt to finance an activity. For example, leverage is used when one uses margin to buy a security. Hedging occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, hedging is used when one takes an offsetting position in a related security, such as an option or other derivative instrument. Derivatives, such as options, may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns. While

leverage or hedging can operate to increase rates of return, it also increases the amount of risk inherent in an investment.

Please refer to *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* for additional associated risks.

C. Important Information Relating to DRHI's Services

1. Information Received by Each Client

To determine if the Focused Strategy or another strategy is appropriate for the client's risk tolerance, return objectives, time horizon, tax concerns, legal and regulatory factors, liquidity constraints, and unique circumstances, DRHI memorializes the foregoing and any other important or relevant information provided by the client (collectively, the "Information"). At the onset of the client relationship the Information provided by the client, together with any other Information relating to the client's overall financial circumstances, will be used by DRHI to determine if the Focused Strategy, or another strategy or asset allocation is appropriate for the client.

DRHI will not assume any responsibility for the accuracy of the Information provided by the client. DRHI is not obligated to verify any Information received from the client or from the client's other professional service providers (e.g., attorney, accountant, etc.) and DRHI is expressly authorized to rely on such Information. Under all circumstances, clients are responsible for promptly notifying DRHI in writing of any material changes to the client's Information. In the event that the client notifies DRHI of changes in the client's Information, DRHI will review such changes and implement any necessary revisions to the client's portfolio.

2. Advisory Services, Agreements and Disclosures

Prior to engaging DRHI to provide investment advisory services, the client will be required to enter into a written investment advisory agreement with DRHI setting forth the terms and conditions under which DRHI shall render its services (the "Agreement"). In accordance with applicable laws and regulations, DRHI will provide this Brochure (Form ADV Part 2A) and one or more brochure supplements (Form ADV Part 2B) to each client prior to or contemporaneously with the execution of the Agreement. The Agreement between DRHI and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. DRHI's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither DRHI nor the client may assign the Agreement without the prior written consent of the other party, which may be withheld in either party's sole discretion. Transactions that do not result in a change of actual control or management of DRHI shall not be considered an assignment.

DRHI will provide investment management services but will not provide custodial or other administrative services. At no time will DRHI accept or maintain custody of the client's funds or securities. The client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer, unless otherwise negotiated, and agreed in writing.

DRHI does not provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. DRHI does not serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as same.

Accordingly, DRHI does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.). Clients are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. Furthermore, if the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If DRHI recommends that a client roll over their retirement plan assets into an account to be managed by DRHI, such a recommendation creates a conflict of interest if DRHI will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, DRHI serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to rollover retirement plan assets to an account managed by DRHI.

DRHI may also serve as a sub-adviser to unaffiliated registered investment advisers per the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisers that engage DRHI's sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for DRHI's designated investment strategies. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, DRHI will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, the underlying client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by DRHI. Higher transaction costs adversely impact account performance.

DRHI has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, DRHI will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when DRHI determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by DRHI will be profitable or equal any specific performance level(s).

In limited circumstances, DRHI may engage in a cross-transaction pursuant to which DRHI may effect transactions between two of its managed client accounts (i.e., arranging for the clients' securities trades by "crossing" these trades when DRHI believes that such transactions are beneficial to its clients). For all such transactions, neither DRHI nor any affiliate will be acting as a broker, and will not receive any commission or transaction-based compensation. The client may revoke DRHI's cross-transaction authority at any time upon written notice to DRHI.

DRHI has made arrangements to be designated as the investment manager for clients of other investment advisers (the "Sub-Adviser"). In such instances, clients are enrolled in one of DRHI's investment management strategies or a customized solution through executing the Agreement with DRHI. As investment manager, DRHI provides DRHI's standard investment management services to a portion of the client's assets and DRHI has full investment discretion.

3. Restrictions/Guidelines Imposed by Clients

The client may impose reasonable guidelines and/or restrictions on investing in specific companies, industries, certain securities or types of securities. For example, certain clients have restrictions from investing in specific companies or industries and certain other clients restrict the use of options. All such guidelines and restrictions must be communicated to DRHI in writing. There may be times when certain restrictions are placed by the client, which prevents DRHI from accepting or continuing to manage the client's account. DRHI reserves the right to not accept and/or terminate management of the client's account if DRHI feels that the client imposed restrictions would limit or prevent DRHI from carrying out its investment strategies.

D. Assets Under Management

As of December 31, 2018, the following represents the amount of client assets under management by DRHI on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management
Discretionary:	\$126,986,342
Non-Discretionary:	\$0
Total:	\$126,986,342

E. Wrap Programs

DRHI does not participate in any wrap programs at this time.

Item 5: Fees and Compensation

As described in greater detail below, DRHI charges fees based on a percentage of assets under management and in some cases will charge performance-based fees. The specific fees charged by DRHI for its advisory services will be set forth in each client's Agreement.

DRHI's investment advisory fee is negotiable at DRHI's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with DRHI and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by DRHI to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth below.

A. Description of Fees; Fee Schedule

1. Fees Based on a Percentage of Assets Under Management

DRHI generally charges an annual investment management fee of 1.5% based upon a percentage of the client's assets under management ("Asset-Based Advisory Fee"). DRHI's Asset-Based Advisory Fee is assessed quarterly in arrears and calculated as of the close of business on the last business day of the calendar quarter, and are computed at one-fourth of the annual investment management fee. Generally, for a new client, the Asset-Based Advisory Fee will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that DRHI's services are terminated mid-quarter, the Asset-Based Advisory Fee shall be prorated through the date of termination as defined in the Agreement, any earned unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client. DRHI may also choose to prorate the Asset-Based Advisory Fee during any quarter where there are significant cash contributions or withdrawals in an effort to only charge fees during time periods that assets are being managed.

2. Performance-Based Fees

DRHI may also charge a performance-based fee (the "Incentive Fee") equal to a percentage of the realized and unrealized appreciation of the net asset value ("NAV") of the client's account (as reasonably determined in good faith by DRHI and as adjusted for any withdrawals or additions to the client's account). Incentive Fees will only be charged to clients who meet the definition of "qualified client" under Rule 205-3(d) of the Investment Advisers Act of 1940 (the "Advisers Act"), as amended. All performance fee arrangements will be in accordance with Rule 205-3 under the Advisers Act. The Incentive Fee for the relevant period generally shall equal 20% of the realized and unrealized appreciation of the NAV of the client's account. Please refer to *Item 6: Performance-Based Fees and Side-By-Side Management* below for additional information about performance-based fees.

B. Deduction of Fees

Payment of DRHI's Asset-Based Advisory Fees will be deducted from each client's account on a quarterly basis by their custodian and paid directly to DRHI, unless otherwise directed in writing by the client. Payment of DRHI's Incentive Fees will be deducted from each client's account on a periodic basis (either quarterly or annually as provided in the Agreement) by the custodian and paid directly to DRHI, unless otherwise directed in writing by the client. The consent for deduction of fees is generally contained in the Agreement. The client's custodian will deliver a periodic (at least quarterly) account statement directly to the client. The statements will include all transactions that took place in the client's account during the period covered and reflect any fees deducted and paid to DRHI. Clients are encouraged to review their account statements for accuracy and compare them to the reports received by DRHI. Should there be any discrepancies, clients' should rely on the information in their custodian's account statement.

C. Other Fees and Expenses

Clients should understand that the advisory fees described in the sections above (i.e., Asset-Based Advisory Fees and Incentive Fees) do not include certain charges imposed by third parties such as custodial fees, mutual fund fees, and expenses. The client's assets may also be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds

initially deposited in the client's account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

The client's assets invested in mutual funds may be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which shall be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, the client may pay initial or deferred sales or surrender charges.

Additionally, the client may incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for the client's account. The client should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for the client's account will be paid out of the assets in the client's account. Please refer to *Item 12: Brokerage Practices* below for additional important information about the brokerage and transactional practices of DRHI.

These fees and expenses are separate from and in addition to the fees charged by DRHI. Accordingly, the client should review the fees charged by any mutual funds and other investment products in which the client's assets are invested, together with the fees charged by DRHI, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

In instances where DRHI is acting as the Sub-Adviser for clients of other investment advisers, the fees paid to DRHI will be determined by DRHI's fees disclosed above.

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

As noted under *Item 5: Fees and Compensation*, in addition to or in lieu of Asset-Based Advisory Fees, DRHI may charge performance-based fees (i.e., Incentive Fees) to certain clients. Such Incentive Fees will only be charged to clients who meet the definition of "high net worth individual" as used in Form ADV and/or "qualified client" as defined in Rule 205-3(d) of the Advisers Act. All such fees will only be charged in accordance with the provisions of Rule 205-3 of the Advisers Act.

Specifically, DRHI may charge a periodic (either a quarterly or an annual) Incentive Fee equal to a percentage of the realized and unrealized appreciation of the NAV of the client's account (as reasonably determined in good faith by DRHI and as adjusted for any withdrawals from or additions to the account made during the period), but only to the extent the NAV exceeds the High Watermark (as defined below) as of the end of the immediately preceding period, as adjusted for withdrawals from and additions to the account during the period. The Incentive Fee is negotiable and may vary by account.

DRHI will be eligible to receive an Incentive Fee as of a period end (or earlier date, if the Incentive Fee is being paid as a result of a withdrawal from the client's account) only if the appreciation in the NAV of the client's account for the period exceeds any depreciation in the client's account that has not been previously recouped (the "High Watermark"). The High Watermark for the client's account shall be initially set at zero and adjusted for additions to and withdrawals from the client's account. Upon any withdrawal of assets from the client's account during or prior to a period end, the Incentive Fee will be determined and paid immediately to DRHI.

Subject to the foregoing, the Incentive Fee for the relevant period generally shall equal 20% of the realized and unrealized appreciation of the NAV of the account.

Performance-based compensation payable to DRHI may be larger than otherwise would be the case if the fee was an Asset-Based Advisory Fee because the amount of the Incentive Fee will be based on the account's performance (which includes unrealized and realized gains and losses). Performance-based fee arrangements may result in a conflict of interest because the receipt of such performance-based compensation may create an incentive for DRHI to (1) make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee structure and (2) use margin and/or leverage in the client's account. Such fee arrangements also may create an incentive for DRHI to favor higher fee paying accounts over other accounts in the allocation of investment opportunities and could cause the portfolio manager to devote a disproportionate amount of time to the management of accounts that pay performance-based fees. DRHI's side-by-side management of accounts that are charged an Asset-Based Advisory Fee and accounts that are charged an Incentive Fee is governed by DRHI's internal policies and procedures, which are designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent the conflicts described above from influencing the allocation of investment opportunities among clients. Performance-based fee structures could also create an incentive for DRHI to overvalue certain assets held by clients. DRHI has adopted policies designed to promote fair, accurate and current valuations of securities and portfolios. DRHI utilizes, to the fullest extent possible, the most recent prices reported by the qualified custodians and/or largest securities exchange on which such securities are traded for timely valuation information for clients' securities and portfolios.

Item 7: Types of Clients

DRHI provides investment advisory services to individuals, high net worth clients, business entities, retirement plans, and non-profit organizations.

DRHI reserves the right to accept or decline a potential client for any reason in its sole discretion. DRHI general requires a minimum initial investment of \$500,000 to open an account or group of related accounts. In certain cases, account minimums may be waived at the sole discretion of DRHI. Prior to engaging DRHI to provide any of the investment advisory services described in this Brochure, the client will be required to enter into the Agreement with DRHI setting forth the terms and conditions under which DRHI shall render its services.

If the client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), DRHI may be a fiduciary to the plan. In providing DRHI's investment management services, the sole standard of care imposed upon DRHI is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. DRHI will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2) of ERISA, regarding the services DRHI provides and the direct and indirect compensation DRHI receives by such clients. Generally, these disclosures are contained in this Brochure, the Agreement and/or in separate ERISA disclosure documents, and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by DRHI; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

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

A. Methods of Analysis

DRHI believes that fundamental analysis coupled with diversification and hedges for global macroeconomic events are the keys to maximizing risk-adjusted returns over time. DRHI uses a variety of analytical information to assist with its proprietary research and security analysis. The primary sources of information that may be used by DRHI include: annual reports, quarterly reports, prospectuses, indentures, and SEC filings; market news reports and other financial publications; corporate rating services; outside research reports; and company press releases.

Through its due diligence, with particular emphasis on balance sheets, income statements and cash flow statements, DRHI strives to identify undervalued businesses with structural and sustainable competitive advantages as part of its Focused Strategy. Such businesses typically (1) have pricing power, (2) have manageable debt levels, (3) exhibit the ability to generate cash, and (4) sell at valuations below their industry peers and/or the overall market.

DRHI analyzes ETFs and mutual funds based on various criteria, such as underlying fees, turnover of holdings at the fund level, the fund manager's tenure, and/or the fund manager's overall career performance.

B. Investment Strategies

As previously mentioned, DRHI offers clients the Focused Strategy, which invests in a concentrated number of long equity positions (typically 10 or fewer common stock positions or depositary receipts (e.g., ADRs)), coupled with options to implement hedges and short positions. DRHI employs a largely unconstrained approach that seeks to maximize long-term total returns for clients. For example, DRHI is not constrained by geography, sector, industry, or market capitalization in seeking investment opportunities for clients. DRHI may pursue long-term and short-term trading strategies and use both covered and uncovered options or spreading strategies. DRHI primarily invests in common stock positions, depositary receipts (e.g., ADRs), and options but is permitted to invest in fixed income securities, ETFs, REITs, mutual funds, and cash equivalent instruments in order to execute the Focused Strategy, or another strategy for clients. The Focused Strategy is generally not tailored to the individual needs of clients; however, clients may impose reasonable mandates or restrictions in writing to satisfy legal, regulatory, or other special concerns. For example, certain clients have restrictions from investing in specific companies or industries and certain other clients restrict the use of options.

In addition to the Focused Strategy, DRHI advises its clients on other investment instruments including, but not limited to common stocks, depositary receipts (e.g., ADRs), fixed income securities, options, ETFs, REITs, mutual funds, and cash equivalent instruments.

Investments in options or other derivative instruments may be used (1) to enhance yield and returns, (2) implement short positions, or (3) hedge against market movement which may adversely affect the portfolio. Accordingly, the use of options or other derivative instruments may consist of a significant portion of the client's overall investment portfolio and will be recommended to the client for which such an investment is deemed suitable based on the client's Information as communicated by the client to DRHI. The use of options or other derivative instruments may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Although the intent of the options-related transactions that may be implemented by DRHI to hedge against principal risk, certain of the options-related strategies may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, the client may direct DRHI, in writing, not to employ any or all such strategies for their accounts.

For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at:

<http://www.optionsclearing.com/components/docs/riskstoc.pdf>

Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606

DRHI may, from time to time, rebalance investment allocations to diversify client portfolios in an effort to reduce risk and improve long-term performance. Depending on its due diligence, DRHI may recommend employing significant positions in cash and/or fixed income securities as a possible hedge against market movements which may adversely affect the portfolio. Additionally, DRHI may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, or any risk deemed unacceptable for the portfolio's risk tolerance.

Additional risks involved in the investment strategies and methods of analysis employed by DRHI may include, among others:

- Key-Man Risk: Management of client portfolios is dependent on the continued service and active investment efforts of the President and Chief Investment Officer, David R. Hansen.
- Non-diversification Risk: Concentrating investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be. The Focused Strategy invests in a concentrated number of long equity positions (typically 10 or fewer common stock positions or depositary receipts (e.g., ADRs)) and may lack diversification. Similarly, clients with fixed income securities, mutual funds, or ETFs may own fewer than 10 such positions. Holding fewer securities may increase volatility of returns and increase risk of loss.
- Leverage/Margin Risk: The use of borrowed capital, such as margin, to increase the potential return of an investment may increase the risk of an investment and can magnify the effect of any losses. The use of leverage is a speculative technique and may not be suitable for all investors. Using borrowed money (whether through trading on margin or any other method of borrowing) to finance the purchase of securities involves interest charges and entails greater risk than using cash resources only.
- Frequent Trading of Options: Given that most options and derivatives DRHI trades have an expiration date within two years or less from the trade date, DRHI may trade such positions with greater frequency than DRHI's core long equity positions. Frequent trading may hurt investment performance, as clients will incur increased brokerage commissions by their custodian, other transaction costs (e.g., costs of having options exercised), and such short term-trading may not be tax efficient.

- **Management Risk**: Investment techniques and risk analyses applied by DRHI may not produce the desired results and legislative, regulatory, or tax developments, may affect the investment techniques available to DRHI. There is no guarantee that the client's investment objectives will be achieved.
- **Cybersecurity Risk**: As part of its business, DRHI processes, stores and transmits electronic information, including information relating to the transactions of its clients. Similarly, the custodians of clients' accounts, may process, store and transmit such information. DRHI has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to DRHI may be susceptible to compromise, leading to a breach of DRHI's network. DRHI's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Electronic information provided by DRHI to its clients may also be susceptible to compromise. Breach of DRHI's information systems may cause information relating to client transactions to be lost or improperly accessed, used or disclosed. DRHI's service providers and its clients are subject to the same electronic information security threats as DRHI. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to client transactions may be lost or improperly accessed, used or disclosed. The loss or improper access, use or disclosure of DRHI's or its clients' proprietary information may cause DRHI or its clients to suffer, among other things, financial loss, business disruption, liability to third parties, regulatory intervention or reputational damage. Any such event could have a material adverse effect on clients and their investments.

C. Risk of Loss

Investing in securities involves a significant risk of loss which clients should be prepared to bear. DRHI's investment recommendations are subject to various market, currency, economic, political, regulatory and business risks, and such investment decisions may not always be profitable. The client should be aware that there may be a loss or depreciation to the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made.

Generally, the market value of common stocks and depositary receipts (e.g., ADRs) will fluctuate with market conditions, and small market capitalization common stock ("Small Cap") prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of U.S. investments. Such

risks are generally intensified for investments in emerging markets. Small Caps may be subject to a higher degree of risk than more established companies' securities. The illiquidity of Small Caps may adversely affect the value of these investments. Options or other derivative instruments' prices will likely be very volatile, may have large bid-ask spreads, and/or be illiquid. There is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by DRHI may include, among others:

- Stock Market Risk: There is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- Regulatory Risk: The chance that legislative, judicial, regulatory, or tax developments, may affect the ability of a business or municipality to operate; which could result in a business or municipality to declare insolvency and/or cease operations.
- Sector Risk: The chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- Issuer Risk: The value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- Value Investing Risk: Value stocks may not increase in price, may not issue the anticipated stock dividends, or may decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.
- Small Cap Risk: The value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- Foreign (Non-U.S.) Investment Risk: Investing in foreign securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Investments in emerging markets are generally more volatile than investments in developed foreign markets.
- Interest Rate Risk: The chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.

- Credit Risk: The chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- ETF Risk: The risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- Options and Derivatives Risk: Options and derivatives may be subject to greater fluctuations in value than an investment in the underlying securities. Options and other derivatives may be subject to counterparty risk and may also be illiquid and more difficult to value. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. Options and derivatives may expose clients to losses in excess of the value of their accounts.
- Control Positions Risk: When DRHI purchases controlling positions in publicly traded companies, such controlling positions may be subject to increased restrictions on disposition and transfer, and the disposition of such control positions may be subject to increased transaction costs.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Consequently, the value of an account may at any time be worth more or less than the amount invested.

DRHI may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its asset allocation programs as designated on the client's agreement, including for example the Focused Strategy. DRHI's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as DRHI's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to DRHI's management of client assets in such asset allocation strategies:

1. Initial Interview – at the opening of the account, DRHI, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed and/or allocated on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly DRHI and/or the client custodian shall notify the client to advise DRHI whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;

4. Annual Contact – at least annually, DRHI shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – DRHI shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period, either by DRHI and/or the client custodian;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct DRHI not to purchase certain securities;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the custodian;
10. Ownership – each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

DRHI believes that its Asset-Based Advisory Fee and Incentive Fee are reasonable in relation to: (1) the advisory services provided under the client's agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, DRHI's Asset-Based Advisory Fee and Incentive Fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to DRHI's Asset-Based Advisory Fee and Incentive Fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). DRHI's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

Item 9: Disciplinary Information

Registered investment advisers such as DRHI are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's or prospective client's evaluation of DRHI or the integrity of its management. DRHI does not have any such legal or disciplinary events and therefore has nothing to disclose with respect to this Item.

Item 10: Other Financial Industry Activities and Affiliations

Neither DRHI nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Moreover, DRHI does not have any relationship or arrangement that is material to its advisory business or to its clients. DRHI does not recommend or select other investment advisers for clients in exchange for compensation from those advisers.

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

A. Code of Ethics Summary

DRHI has adopted a Code of Ethics (the “Code”) which establishes standards of conduct for DRHI’s officers, directors, owners, and employees (“Associated Persons”) and includes general requirements that such Associated Persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. The Code contains written policies reasonably designed to prevent the unlawful use of material non-public information by DRHI or any of its Associated Persons. The Code also requires that Associated Persons report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

The Code also requires Associated Persons to report any violations of the Code promptly to DRHI’s CCO. Each Associated Person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each Associated Person must certify that he or she complied with the Code during that year.

DRHI will provide a copy of the Code to any client or prospective client upon request by contacting DRHI at (310) 826-1740 or by e-mail at info@drhinvestments.com.

B. Participation or Interest in Client Transactions

It is DRHI’s policy not to enter into any principal transactions on behalf of clients’ accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Ownership of similar securities by Associated Persons and clients poses conflicts of interest, which are addressed below.

C. Personal Trading of Associated Persons

It is anticipated that accounts of Associated Persons and clients will own similar securities (though account composition may vary to some extent based upon a number of factors, including investment restrictions, the use of margin and/or leverage, tax concerns, and the timing of actual or anticipated capital additions or withdrawals). Associated Persons may buy or sell for their personal accounts securities or investment products identical to those recommended to or already owned by clients. Alternatively, DRHI may cause clients to buy a security in which DRHI or Associated Persons have an ownership position. Associated Persons’ accounts will generally transact in securities or investment products alongside client accounts through aggregated (i.e., block) trades. Additional information about DRHI’s trade aggregation and allocation policies is provided below in *Item 12: Brokerage Practices*. In certain instances (e.g., new accounts, terminating accounts, add-on capital, partial withdrawals), DRHI may purchase or sell securities for Associated Persons’ accounts when other client accounts are not purchasing or selling the same security. DRHI and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, and such securities may not be bought or sold in client accounts.

DRHI understands such practices present inherent conflicts of interest, such as Associated Persons: (1) trading before clients (i.e., front-running), and/or (2) receiving a better allocation or price than clients. To address and mitigate conflicts of interest associated with personal trading, DRHI has adopted the Code, which sets forth the procedures regarding personal trading activities of its Associated Persons. The following summarizes DRHI's procedures for the purchase and/or sale of securities in Associated Persons' accounts:

- DRHI requires quarterly reporting of all personal securities transactions of its Associated Persons with the exception of certain exempt transactions and securities (e.g., government securities and money market funds).
- Associated Persons or those members with a beneficial interest, such as immediate family members, may not buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by material non-public information.
- With limited exceptions, Associated Persons' accounts will not receive a more advantageous price than client accounts for a particular security purchased or sold on the same trading day. Associated Persons' accounts may transact in the same securities alongside client accounts through aggregated (i.e., block) trades, which includes block trades that are partially filled over a series of days. Associated Persons will receive the same average price of the security as clients participating in such block trade. Additional information about DRHI's trade aggregation and allocation policies is provided below in *Item 12: Brokerage Practices*.
- DRHI and its Associated Persons may not participate in private placements or initial public offerings (IPOs) without pre-clearance from DRHI's CCO.

Item 12: Brokerage Practices

Except in limited situations where DRHI permits clients to direct brokerage (as described below), DRHI will recommend a specific broker-dealer to be used and the commission rates at which transactions for client accounts will be effected. DRHI's clients maintain relationships with these broker-dealers (each a "Broker-Dealer" and collectively the "Broker-Dealers"):

- Fidelity Brokerage Services LLC ("Fidelity")
- Vanguard Brokerage Services

When DRHI places orders for the execution of portfolio transactions for client accounts, transactions are allocated to Broker-Dealers for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. In addition to using brokers as "agents" and paying commissions, DRHI may affect transactions in securities directly from or to dealers that are acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers. The following discussion summarizes the material aspects of DRHI's practices for the selection of Broker-Dealers to execute client transactions.

A. Selection Criteria

Generally, DRHI will suggest that clients use an institutional qualified Broker-Dealer custodian to custody assets and effect client transactions. Currently, DRHI recommends clients use one of the Broker-Dealers listed above as their custodian. As part of these services, a Broker-Dealer will not charge custodial fees to the client as long as the account's transactions are placed with that specific Broker-Dealer for execution. The Broker-Dealers charge a transaction fee per transaction for each client account. Each Broker-Dealer's fees and charges are fully disclosed on the account statements sent by the Broker-Dealer to each client. The commissions and/or transaction fees charged by the Broker-Dealers may be higher or lower than those charged by other financial institutions.

Factors considered by DRHI in recommending a Broker-Dealer as custodian for the client's account are based on, but not limited to the reasonableness of transaction fees charged by the Broker-Dealer, product availability, quality of executions, research and other services available to both the client and DRHI.

While there is no direct link between the investment advice given to the client and DRHI's recommendation to use the custodial services of the Broker-Dealers, certain benefits are received by DRHI due to this arrangement. Please refer to *Item 12:B* and *Item 14:B* below for a detailed description of the services and benefits received by DRHI.

There may be times, however, when DRHI evaluates and uses an alternative broker-dealer for certain individual transactions, if in DRHI's discretion DRHI believes that best execution for such individual transactions could be achieved outside of the client's Broker-Dealer.

B. Best Execution

It is the policy and practice of DRHI to strive for the best price and execution that are competitive in relation to the value of the transaction ("Best Execution"). In order to achieve Best Execution, DRHI will use its reasonable judgment to choose the Broker-Dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although DRHI will strive to achieve the Best Execution possible for client securities transactions, this does not require DRHI to solicit competitive bids, and DRHI does not have an obligation to seek the lowest available commission cost. In seeking Best Execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a Broker-Dealer's services, including, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while DRHI will seek competitive rates, DRHI may not obtain the lowest possible commission rates for the client's transactions. DRHI shall not be required to negotiate "execution only" commission rates. Thus, the client may be deemed to be paying for research and related services (collectively, "Soft Dollars") provided by the Broker-Dealer which are included in the commission rate.

To ensure that brokerage firms recommended by DRHI are conducting overall best qualitative execution, DRHI will periodically (and no less often than annually) evaluate the trading process and broker(s) utilized. DRHI's evaluation will consider the full range of brokerage services offered by the broker(s), which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of

automation, knowledge of other buyers or sellers and administrative ability. The client has no obligation to open accounts with any Broker-Dealers that DRHI may recommend.

1. Research and Other Soft Dollar Benefits

DRHI's general policy is to comply with the provisions of Section 28(e) of the Exchange Act ("Section 28(e)") when entering into Soft Dollar arrangements. Section 28(e) allows investment advisers to use client commissions to pay for brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. This practice is commonly referred to as Soft Dollars. Brokerage and research services may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation, political developments, legal developments, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis and performance analysis. Such research information can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management, and attending conferences. The research services provided by a Broker-Dealer may be proprietary (*i.e.*, provided by the Broker-Dealer providing the execution services) and/or provided by a third party (*i.e.*, originates from a party independent from the Broker-Dealer providing the execution services).

As permitted under Section 28(e), DRHI may cause clients to pay brokerage commissions that are in excess of commissions that another broker might have charged for effecting the same transaction, but only in circumstances where DRHI has made a good faith determination that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services received. DRHI views this in terms of either the specific transactions or DRHI's overall responsibility to the accounts for which DRHI exercises investment discretion.

Section 28(e) also permits DRHI to use the research services provided by Broker-Dealers to service any or all of DRHI's clients, and the services also may be used in connection with clients other than those making the payment of commissions.

DRHI has access to proprietary research from the Broker-Dealers due to the fact that DRHI's clients custody their account assets at the Broker-Dealers. In addition, DRHI receives certain other indirect benefits from the Broker-Dealers due to this arrangement, which are outlined in *Item 14:B* below and may be deemed to fall outside the safe harbor of Section 28(e).

Clients should understand that the use of Soft Dollars by DRHI may be deemed to be an indirect economic benefit to DRHI, which creates a conflict of interest between DRHI and its clients. To address this conflict of interest, DRHI performs periodic reviews of the quality of execution and services provided by the Broker-Dealers (and other broker custodians) to help ensure that clients are receiving the Best Execution.

DRHI does not currently have any other Soft Dollar arrangements in place.

2. Directed Brokerage

Generally, DRHI has the authority over the selection of the Broker-Dealer to be used and the commission rates to be paid without obtaining specific client consent. In limited situations, DRHI may accept written direction from the client regarding the use of a particular broker-dealer to execute

some or all transactions for the client. In the event that the client directs DRHI to use a particular broker-dealer, the client will negotiate terms and arrangements for the account with that broker-dealer, and DRHI will not seek better execution services or prices from other broker-dealers or be able to aggregate (or batch) client transactions for execution through other broker-dealers with orders for other accounts managed by DRHI (as described below). Additionally, in directed brokerage situations, DRHI will have limited ability to ensure the broker-dealer selected by the client will provide the Best Execution. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of Best Execution, DRHI may decline the client's request to direct brokerage if, in DRHI's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

C. Trade Aggregation and Allocation

With some exceptions, DRHI generally aggregates orders for accounts of clients and Associated Persons in a block account for trade execution with the same Broker-Dealer. When orders are aggregated, each participating account in the block trade receives the same price per share (or option contract) on the trade. The price is calculated by averaging the price of all of the shares (or option contracts) traded. Due to the averaging of price over all of the participating accounts, block trades could be either advantageous or disadvantageous to clients. Commission costs are typically not averaged (i.e., each account pays a brokerage commission on a per trade basis to the Broker-Dealer). The client will normally pay the same brokerage commission to the Broker-Dealer, whether the client's trades are placed as part of a block trade or executed independently.

If a block trade cannot be fully executed under prevailing market conditions on a given day, DRHI may allocate the securities traded among participating accounts and each similar order in a manner DRHI considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of each account, liquidity of the security, and the commission costs to be incurred by each account. DRHI will generally seek to complete any unfilled block trades on the next trading day, or series of days thereafter.

Instances in which orders may not be aggregated include, but are not limited to, the following:

- The client imposed investment guidelines, mandates and/or restrictions do not allow for participation in an order;
- Different position target levels and/or different ownership percentage respective to targeted levels for such account;
- The client chooses a qualified custodian other than Fidelity;
- The opening of a new account, the termination of an account, lack of settled cash to execute the trade, and/or the timing of actual or anticipated capital additions or withdrawals; and/or
- DRHI decides not to aggregate an order(s) because of tax, legal, regulatory, market conditions, or administrative reasons.

Item 13: Review of Accounts

A. Periodic Reviews

DRHI monitors and reviews client portfolios on a periodic basis. The frequency of reviews is at the discretion of DRHI, but accounts are typically reviewed not less than quarterly. Accounts are reviewed for performance, consistency with the targeted investment strategy, and other account parameters in order to determine if any adjustments need to be made. All reviews are performed by DRHI's President and Chief Investment Officer, David R. Hansen.

B. Other Reviews and Triggering Factors

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder's personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. Clients are encouraged to notify DRHI of any changes in their personal financial situation that might affect their Information.

C. Regular Reports

Written brokerage statements are generated on at least a quarterly basis and are sent directly from the Broker-Dealers. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction in electronic or paper format, unless confirmations have been waived.

DRHI may provide annual performance reports to clients, but may provide such reports more or less frequently depending on the needs of the clients. Clients are urged to compare the statements received from DRHI to those received from the Broker-Dealer. In addition, clients may receive other supporting reports from mutual funds, trust companies, broker-dealers or insurance companies based on their involvement with the account and their applicable internal reporting requirements.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Received

As discussed under *Item 12*, DRHI may enter into Soft Dollar arrangements whereby brokerage transactions are directed to certain Broker-Dealers in return for investment research products and/or services which assist DRHI in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by DRHI, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transaction business to certain Broker-Dealers based on the receipt of such benefits rather than on the client's interest in receiving most favorable execution.

Additionally, DRHI generally recommends that clients use a Broker-Dealer as their custodian and broker of record. While there is no direct link between the investment advice given to clients and DRHI's recommendation to use a Broker-Dealer as their custodian, certain benefits are received by DRHI due to this arrangement. The Broker-Dealers make available to DRHI other products and services that benefit DRHI but may not benefit its clients' accounts. Some of these other products and services assist DRHI in managing and administering clients' accounts. These include software and

other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client and Associated Person accounts), provide research, pricing information and other market data, facilitate payment of DRHI's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of DRHI's accounts, including accounts not maintained at the Broker-Dealers. The Broker-Dealers also make available to DRHI other services intended to help DRHI manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Broker-Dealers may make available, arrange and/or pay for these types of services rendered to DRHI by independent third parties. The Broker-Dealers may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to DRHI. While as a fiduciary, DRHI endeavors to act in its clients' best interests, DRHI's recommendation that clients maintain their assets in accounts at the Broker-Dealers may be based in part on the benefit to DRHI of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the Broker-Dealers, which may create a potential conflict of interest.

B. Compensation for Client Referrals

Currently, DRHI does not have any solicitation or referral arrangements in place.

Item 15: Custody

Although DRHI does not have physical custody of client funds or securities, under SEC regulations, DRHI is deemed to have custody of client funds or securities by reason of the fact that DRHI has authority to debit its fees directly from the client's account. Custody of account assets will be maintained with an independent qualified custodian. As mentioned above, DRHI recommends a Broker-Dealer to serve as custodian. Therefore, clients should thoroughly consider the differences between having their assets held at a Broker-Dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by DRHI. DRHI's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to *Item 12* for additional important disclosure information relating to DRHI's practices and relationships with custodians.

Under SEC regulations, advisers with custody are generally required to undergo an independent verification of the assets for which the adviser has custody through an annual surprise examination by an independent certified public accountant. Advisers deemed to have custody solely as a consequence of the authority to debit fees directly from client accounts are not required to obtain an independent verification of those client funds and securities maintained by a qualified custodian so long as certain steps are followed, including those discussed above.

Item 16: Investment Discretion

A. Discretionary Authority: Limitations

DRHI has full investment discretion over (1) which securities are to be bought or sold in client accounts; (2) the amount of securities to be bought or sold in client accounts; and (3) when transactions are made. This means that DRHI does not have to obtain prior consent from the client when investing client assets. However, such discretion is to be exercised in a manner consistent with each client's Information. In addition, DRHI's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. In some instances, DRHI's discretionary authority may be limited by conditions imposed by clients on DRHI's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to DRHI in writing.

B. Limited Power of Attorney

By signing DRHI's Agreement, clients authorize DRHI to exercise this full discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such Agreement, DRHI is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes DRHI to give instructions to third parties in furtherance of such authority.

Item 17: Voting Client Securities

DRHI's normal policy and practice, unless the client directs DRHI otherwise, is to not vote proxies on behalf of its clients. However, should a client request that DRHI vote proxies on their behalf, DRHI shall be responsible for voting client proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request.

When directed to vote proxies, DRHI shall monitor corporate actions of individual issuers and investment companies consistent with DRHI's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which DRHI will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, DRHI may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), DRHI may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. DRHI shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how DRHI voted on any specific proxy issue is also available upon written request. Requests should be made by contacting DRHI's Chief Compliance Officer.

DRHI shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to the client.

DRHI typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts, and DRHI does not provide legal advice of any kind to clients.

Item 18: Financial Information

DRHI does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. DRHI does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.