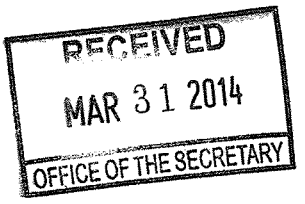
UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING
File No. 3-15627

In the Matter of

TRI-STAR ADVISORS, INC., WILLIAM T. PAYNE, AND JON C. VAUGHAN,

Respondents.

REPLY BRIEF IN SUPPORT OF RESPONDENTS' MOTION FOR SUMMARY DISPOSITION PURSUANT TO RULE 250 OF THE RULES OF PRACTICE OF THE COMMISSION

Respectfully submitted,

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Respondents Tri-Star Advisors, Inc. ("TSA"), William T. Payne ("Payne"), and Jon C. Vaughan ("Vaughan") move for summary disposition as to all claims against them as set forth in the Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Act") and Section 9(b) of the Investment Company Act of 1940 and Notice of Hearing ("OIP").

SUMMARY OF REPLY

The Commission alleges that Respondent TSA willfully violated Section 206(3) of the Act, 15 U.S.C. §80b-6(3), by engaging in principal transactions without providing written disclosures and obtaining clients' consent for each such transaction, and that TSA violated Section 206(4) of the Act, 15 U.S.C. §80b-6(4), by failing to implement written procedures designed to prevent the 206(3) violations. OIP ¶¶ 1, 7-11, 14, 16. The Commission further alleges that Payne and Vaughan caused TSA's alleged violations. OIP ¶¶ 2, 12-13, 15, 17.

The grounds for Respondents' Motion for Summary Disposition are:

(a) Payne and Vaughan did not have the requisite *scienter* for "causing" liability under Sections 206(3) and (4) of the Act; and

(b) TSA did not knowingly engage in principal trades in violation of Section 206(3) of the Act and did not knowingly violate Section 206(4) of the Act.

In the Division of Enforcement's Motion for Summary Disposition and Response in Opposition to Respondents' Motion for Summary Disposition and Brief in Support ("Div. Br."), the Division of Enforcement argues as follows:

(a) Payne's and Vaughan's liability. The Division agrees that, to show liability for causing or for aiding and abetting the violations, it must demonstrate *scienter*. However, the Division makes the following incorrect arguments:

(1) The Division appears to argue that the standard for liability for aiding and abetting a violation differs from the standard for causing a violation.[1] This is incorrect. The standards are identical and require the Division to show that Payne and Vaughan were aware or recklessly unaware that their actions were part of an overall activity that was improper.

(2) The Division argues that only negligence is required to show *scienter* for causing the alleged violations. This is incorrect. The law requires recklessness, as decisions by Chief Judge Murray and others clearly state.

(3) The Division argues that it need only show that Payne and Vaughan were aware of the activity, not that they were aware that the activity was improper. This, again, is incorrect. Case law requires knowledge or reckless disregard of *improper* activity.

(4) The Division argues that Payne and Vaughan meet the required standard for liability (whether the standard is negligence or recklessness). The Division bases this on two factual contentions: (i) that Payne's and Vaughan's long experience in the business is itself enough to show that they were negligent or reckless; and (ii) that TSA's compliance advisor was not informed of the trading practice in question and was not hired to advise about the practice.

The first contention is wrong both factually and legally. Payne and Vaughan did not have long experience running an advisory firm subject to the Act. They were new to the advisory business. That is why they took the eminently reasonable precaution of hiring an outside compliance advisor – who was recognized many times by the Commission itself as an expert in complying with the Act – to assist them in complying with the Act. Moreover, experience by itself is not sufficient to show recklessness (or even negligence). If it were, then the Act really

[1] It is not clear why the Division is arguing that Vaughan and Payne are liable for aiding and abetting. The OIP charges them only with causing the alleged violations, not with aiding and abetting. OIP ¶¶ 2, 15, 17.

is, as the Division argued in the past, a strict liability statute even as to "causing" or aiding and abetting liability.

The second contention – that The Advisor's Resource, TSA's outside compliance advisor, was not informed that trades were handled through TSF and was not hired to advise about the practice – misstates the factual record. TSA's compliance advisor clearly was hired to advise on compliance with the Act *in toto*, was specifically informed of the practice, and gave the wrong advice, prior to commencement of the Commission's investigation in April 2011.

(b) TSA's liability. The Division argues that the term "knowingly" in Section 206(3) modifies only the act of selling or purchasing securities and that the statute therefore amounts to a strict liability statute as long as the respondent knows it is selling or purchasing securities. However, the term "knowingly" also modifies the clause "acting as principal for his own account." The Division also argues that Section 206(3) is intended to prevent self-dealing. That purpose is not served by imposing liability where the account at issue is used strictly as an allocation account for transferring securities to clients' accounts, rather than holding or trading securities for the benefit of the principal.

LEGAL ARGUMENT

I. PAYNE AND VAUGHAN DID NOT HAVE THE REQUISITE SCIENTER

A. The Standards for Causing and for Aiding and Abetting the Alleged Violations Are Identical

The Division agrees that, to show that Payne and Vaughan are liable for aiding-and-abetting, it must show: (i) a primary violation by another party; (ii) Vaughan's and Payne's awareness or knowledge that their roles were part of an overall activity that was improper; and (iii) that Payne and Vaughan knowingly and substantially assisted in the conduct that constituted the primary violation. Div. Br. at 9.

The standard for liability for causing a violation is exactly the same as for aiding and abetting. The Division appears to argue, without clearly stating, that the "causing" standard differs from the standard for aiding and abetting. *Id.* This is not correct; the standards are identical. *See* Motion of Respondents Tri-Star Advisors, Inc., William T. Payne and Jon C. Vaughan for Summary Disposition Pursuant to Rule 250 of the Rules of Practice of the Commission ("Resp. Br.") at 6-9. Chief Judge Murray has twice so held. *In the Matter of OptionsXpress, Inc.*, Admin. Proc. File No. 3-14848, S.E.C. Release No. 490, 2013 WL 2471113, at *79 (June 7, 2013); *In the Matter of Trautman Wasserman Co.*, S.E.C. Release No. 340, Admin. Proc. File 3-12559, 92 S.E.C. 1156, 2008 WL 149120, at *18 (Jan. 14, 2008). The Division does not dispute or distinguish these cases or any of the cases cited by Respondents.

B. Negligence is Not Sufficient for Liability for Causing or Aiding and Abetting a Primary Violation

The Division argues that negligence is sufficient to show liability for causing or aiding and abetting. This is incorrect; recklessness must be shown. *Investors Research Corp. v. SEC*, 628 F.2d 168, 178 (D.C. Cir. 1980). A case cited by the Division, *Camp v. Dena*, 948 F.2d 455 (8th Cir. 1991) (cited in Div. Br. at 10), clearly states that negligence "is never sufficient" for aiding and abetting liability. *Id.* at 459.

The Division cites *In re Daniel Bogar*, SEC Rel. No. ID-502, 2013 WL 3963608, at *20 (Aug. 7, 2013) as support for a general negligence standard for "causing" liability (Div. Br. at 8). That is incorrect. *Bogar* cites *KPMG Peat Marwick, LLP,* 54 S.E.C. 1135, 1175 (2001), *recon. denied*, 55 S.E.C. 1 (2001), *petition for review denied,* 289 F.3d 109 (D.C.Cir. 2002), *reh'g en banc denied*, 2002 U.S. App. Lexis 14543 (D.C. Cir. 2002). *Id.* However, in *KPMG* the D.C. Circuit upheld the Commission's use of a negligence standard only because the statute in question, Section 21C(a) of the Securities Exchange Act, 15 U.S.C. § 78u-3(a), specifically

contains the phrase "an act or omission the person *knew or should have known* would contribute to such violation." 289 F.3d at 120. No such language is present in Section 206(3) or (4) of the Act.

C. The Division Must Show that Payne and Vaughan Were Aware, or Recklessly Ignored, That They Were Part of an Improper Activity

The Division also argues that it need only show that Payne and Vaughan knew that the trading in question was occurring, not that they knew that it was considered principal trading or that the trading was improper. Div. Br. at 10-11. Again, the Division is incorrect. Respondents have cited numerous cases where respondents were found not liable because the Commission failed to show respondents' awareness that the activity in question was improper. *See* Resp. Br. at 11-13; *Monetta Financial Services, Inc. v. SEC*, 390 F.3d 952, 956 (7th Cir. 2004) (Commission failed to show that defendant was "aware that disclosure of the IPO allocations was required"); *SEC v. Howard*, 376 F.3d 1136, 1143-48 (D.C. Cir. 2004) ("Howard was not aware, generally or otherwise, of any wrongdoing"); *SEC v. Steadman*, 967 F.2d 636, 647 (D.C. Cir. 1992) (Commission failed to show that defendant was "generally aware that the Corporation's subscription and redemption accounts were being managed improperly or that surprise audits were required"); *SEC v. Slocum, Gordon & Co.*, 334 F.Supp.2d 144, 185 (D.R.I. 2004) (respondent knew about a failure to disclose but did not know that disclosure was legally required).

The Division makes no attempt to distinguish these cases. Instead, it contends that other decisions reject the argument that knowledge of impropriety is required for aiding and abetting and "causing" liability. Div. Br. at 10. These cases do not support the Division's position because, although these opinions repeat in words or substance the boilerplate dictum that "ignorance of the law is no excuse," in each case that statement is explained by findings that the

respondents recklessly disregarded facts clearly indicating impropriety. None of them resemble this case, in which the respondents in good faith sought professional advice to make sure they complied with the Act.

For example, the Division argues that in *In the Matter of Mark N. Geman*, Rel. No. IA-1924, Admin. Proc. File No. 3-9032, 2001 WL 124847 (Feb. 14, 2001), *aff'd,* 334 F.3d 1183 (10th Cir. 2003), the Commission rejects the argument that reckless disregard of the impropriety of the overall course of action is required for liability. *Geman* does not so hold. In fact, the Commission rejects only the argument that Geman, the respondent, "acted in good faith" and obtained an opinion letter regarding the conduct in question. The decision holds that Geman was *reckless* in not knowing of such illegality *because he made no attempt to consult or get advice from any legal or regulatory professional* about the conduct in question. The decision discredits Geman's contention that he obtained a legal opinion, because the opinion in question did not address the bulk of the firm's actions. 2001 WL 124847 at *9.

Geman does make the broad assertion that "ignorance of the law" cannot "serve as a defense." *Id.* at *17. However, that assertion is tempered by the decision's statement that "[i]n an appropriate case, reliance on counsel may affect our assessment of a respondent's state of mind." *Id.* at *9. The decision rejected Geman's contention that his was such a case because the opinion letter he obtained did not address the conduct at issue. *Id.* Moreover, Geman's conduct was clearly reckless because he affirmatively misled the firm's customers about its practices, which included failure to take advantage of "price improvement" programs offered by its clearing firms and affirmative misrepresentations of the firm's trading practices. *Id.* at *8-*9. Thus, Geman's conduct was reckless. This was affirmed by the Tenth Circuit, which found

"sufficient factual basis for the conclusion that Geman aided and abetted the violations with a state of mind of recklessness, if not willful disregard." 334 F.3d at 1196.

Unlike Geman, Payne and Vaughan took every reasonable step to ensure that TSA was in compliance with all aspects of the Act. They hired The Advisor's Resource to advise on compliance, with no limitations. They specifically informed their compliance advisor of the relationship with TSF, the trading practice in question, and that markups would be earned, and they received specific advice about that practice. We show below that the Division is flat wrong to suggest that the advisor's responsibilities were somehow limited in this regard or that the advisor was not specifically informed about the trading practice.

The Division also cites *Bogar,* 2013 WL 3963608. Div. Br. at 10. *Bogar* is not remotely applicable. The egregiousness and recklessness of Bogar's conduct stands in stark contrast to the good-faith efforts of Payne and Vaughan to comply with the Act.

Bogar was the president of the broker-dealer owned by Allen Stanford, who was sentenced to 110 years in prison for the infamous Stanford ponzi scheme. *Id.* at *2. Bogar attempted to cover up an egregious and wide-ranging fraud costing investors billions of dollars. His actions included lying about several material issues in communications with Stanford's financial advisors and managing directors, *id.* at *5, *6, *9, *16, *21-22, lying to Stanford's clearing firm, *id.* at *10-12, and covering up and disregarding numerous red flags. *Id.* at *12. The Division quotes the opinion's statement that "a person cannot escape aiding and abetting liability by claiming ignorance of the securities laws," but this was stated in the course of a boilerplate recitation of the standards for liability. It was not a comment on whether Bogar had any basis for good faith reliance on an outside advisor regarding compliance with technical

requirements of the Act. Obviously, someone who embarks on such a blatantly fraudulent course of action cannot claim ignorance of the securities laws.

In *Sharon M. Graham*, 53 S.E.C. 1072, 1998 WL 823074 (Nov. 30, 1998), *aff'd*, 222 F.3d. 994 (D.C. Cir. 2000) (cited in Div. Br. at 10), the respondent, Graham, was found to have known of wash trades and to have recklessly disregarded their impropriety. She knew the trades were "peculiar," that Broumas (the principal violator) was directing them and making no money on them, that he did not use the firm's clearing house for these trades, that the account in question was having "cash flow problems," and that Broumas was using someone else's account without having power of attorney over that account. 1998 WL 823074, at *7. There is no indication that Graham sought legal or compliance advice. Because she knew all these adverse facts, the Commission concluded that Graham willfully aided and abetted, and caused, the violations. *Id.*

SEC v. Falstaff Brewing Corp., 629 F.2d 62 (D.C. Cir. 1980), *cert. denied sub nom., Kalmanovitz v. S.E.C*, 449 U.S. 1012 (1980) (cited in Div. Br. at 10), involved materially false and misleading proxy statements and other SEC filings. The respondent, Kalmanovitz, was found to have known that the statements were materially false and misleading. *Id.* at 77. Knowledge that one's statements are false is itself knowledge of impropriety. The Court's holding accords with this: "[B]ecause Kalmanovitz knew the *nature and consequences of his actions*, he acted with scienter." *Id.* As in the other cases cited above, Kalmanovitz did not obtain any compliance advice about the firm's activities. The Court's discussion of "ignorance of the law" is limited to rejecting Kalmanovitz's argument that the Commission was required to inquire into his "'subjective belief as to the legalities of his action...'" The Court did not hold

that a respondent is liable for causing or aiding and abetting the violation regardless of that respondent's good faith efforts to obtain competent outside professional advice.

Camp v. Dena, 948 F.2d 455 (cited in Div. Br. at 10), does not stand for the bald proposition that, for aiding and abetting or "causing" liability, ignorance of the law is no excuse. Rather, the court held that a respondent may not "escape liability by simply claiming he was ignorant of the securities laws." *Id.* at 459. This is quite different from saying that, regardless of a respondent's good-faith efforts to comply with securities laws, including hiring outside advisors, the respondent is liable for any violation by the firm. The *Camp* court confirmed this by further holding that "[s]ome knowledge must be shown, but the exact level necessary for liability remains flexible and must be decided on a case-by-case basis. Negligence, however, is never sufficient." *Id.* The court found the respondents not liable because they did not have the requisite scienter. *Id.* at 461-63.

In summary, the Division is attempting to turn the banal dictum "ignorance of the law is no excuse" into what amounts to a strict liability standard for aiding and abetting and causing a violation. The cases discussed above, as well as the cases cited in Respondents' initial brief, show that the Division's position is not correct. Some knowledge or awareness of wrongdoing, or at least a willful avoidance of inquiring into the propriety of the firm's actions, is required. That standard is clearly not met in this case.

SEC v. Slocum, Gordon & Co., supra, 334 F.Supp.2d at 185, is worth re-quoting because it completely negates the Division's position on this issue, is very similar to the situation of Payne and Vaughan, and is not distinguished by the Division:

> Because the Court finds that neither Slocum nor Gordon acted with scienter, or a "mental state embracing intent to deceive, manipulate, or defraud," *Ernst & Ernst,* 425 U.S. at 193 n.12, 96 S.Ct. 1375, the Court cannot find they had a conscious awareness that SG & C was engaged in operating practices that

created a potential conflict of interest. During the relevant time period, SG & C was subject to external examinations from both its own independent auditors and the SEC. Neither authority identified SG & C's account structure as a potential problem. The evidence demonstrated that when potential compliance issues were brought to SG & C's attention, Gordon took steps to remedy the situation by reformulating SG & C's practices. The evidence also showed that Slocum and Gordon communicated with and relied on the advice of outside counsel in creating its account structure initially, and then in reforming it after the SEC's examination in 1988. No evidence suggests that either Slocum or Gordon had knowledge that SG & C's account structure was improper, or that their account structure created a potential conflict of interest.

As a result, the Court is not persuaded that Slocum and Gordon had the requisite mental state to have aided and abetted SG & C's non-scienter-based violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-2(a)(2) issued thereunder.

D. The Record Shows that Payne and Vaughan Did Not Act With the Requisite Scienter

The Division makes three factual arguments that Payne and Vaughan had the requisite scienter: (1) that Payne and Vaughan's long experience in the securities industry precludes them from arguing that they did not know of the impropriety of the trading at issue; (2) that TSA did not hire The Advisor's Resource to opine on the issue of the trading; and (3) that The Advisor's Resource was not informed about the trading. These arguments are incorrect, and the latter two arguments misstate the factual record.

1. Payne and Vaughan Had No Previous Experience Running an Advisory Firm

The Division makes much of Payne's and Vaughan's previous experience in running a broker-dealer firm, Tri-Star Financial. Div. Br. at 11. But when Payne and Vaughan formed TSA in 2009, they had no previous experience with running an advisory firm that was subject to the Act. They formed TSA because their clients wanted advisory services. *See* Exhibit A, Payne tr. at p. 41 l. 22 – p. 42 l. 2 ("Many of our clients wanted us to do more than just be a broker to

them. They want us to do more advisory service for them. So we went for the wishes of our clients and the industry in general.")

2. TSA Hired The Advisor's Resource to Advise On All Aspects of Compliance with the Act

Having no previous experience running an advisory firm, Vaughan and Payne hired The Advisor's Resource to give them competent advice regarding all aspects of complying with the Act. The Division misstates the record by suggesting that there were any limitations on this engagement. Div. Br. at 12. On the contrary, the advisor was hired to advise on all aspects of TSA's compliance, as shown by the following testimony:

- "We have our outside compliance consultant that *we hired from day one to get everything right."* – Exhibit A, Vaughan tr. at p. 38, l. 1-2 (emphasis added).

- "[W]e did a semiannual or annual review just to kind of talk about the changes in the rules and the regs, what we needed to be aware of." *Id.* at p. 39, l. 4-6.

- "So we from the beginning used her [*i.e.* Linda Shirkey, the principal of The Advisor's Resource] to put together Tri-Star Advisors and *leaned on her heavy to help us in the regulatory area.*" Exhibit A, Payne tr. at p. 69, l. 20-22 (emphasis added).

- "Q: So let me ask you generally, what is your understanding of the types of services that Ms. Shirkey has provided to Tri-Star Advisors? A: To ... put together the broker-dealer, let us know what types of reporting we need to do, *all the compliance we need to have ready.* She worked hand-in-hand with Kelly [Durham] to put everything together with our compliance manual ..." *Id.* at p. 71 l. 4-11 (emphasis added).

The contract with The Advisors' Resource similarly shows that the compliance advisor was hired to advise on all aspects of compliance with the Act. The contract, entitled "Agreement for Compliance Services," provided:

- "Consultant is a compliance consultant with a background in compliance, registration, marketing and administration of investment advisors registered with the United States Securities and Exchange Commission and state regulatory authorities responsible for the regulation of investment advisors. Consultant desires to render professional compliance consulting services for Advisor on the terms and conditions provided in the Agreement."

- "Consultant will provide assistance as needed and/or as outlined below to Advisor: Registration with appropriate authorities [and] Prepare policies manual/Code of Ethics."

Exhibit 1 hereto (Agreement for Compliance Services for January 2009) at pp. 1-2 of 6.

Other documents produced to the Division provide further confirmation of the wide-ranging scope of her duties with respect to advising TSA:

- The Proposal and Scope of Work for January 2009 provides for creation of a new policies and procedures manual, including specific issues such as anti-money laundering and ERISA, but also for "General Compliance." *See* Exhibit 2 (January 30, 2009 Proposal and Scope of Work) at p. 2. (Bates LS0001-2).

- "Tri-Star Advisors, LLC, needs: 1. To upgrade and maintain an effective compliance program for an SEC-registered investment advisory business. 2. Ongoing support for its investment advisor compliance program through December of 2010 to position the firm for considerable growth and to have a "successful" SEC examination. The Advisor's Resource, Inc. proposes the following for the next twelve-month period: Design of Testing Program; Policies and Procedures Manual update, including Code of Ethics. Policies and procedures manual including Code of Ethics, revised to ensure that any new regulations and client changes are incorporated. ... Annual Review Created for 2009 by March 2010. ... Documents reviewed prior to onsite visit. Two-day onsite visit to discuss and review program changes during the year. Written reports created. Annual Maintenance ... Periodic emails regarding developments in SEC regulations and exams." Exhibit 3, December 23, 2009 Proposal and Scope of Work, at p. 1 (Bates LS0022).

- "Tri-Star Advisors, LLC, needs: 1. To upgrade and maintain an effective compliance program for an SEC-registered investment advisory business. 2. Ongoing support for its investment advisor compliance program through January of 2012 to position the firm for considerable growth and to have a 'successful' SEC examination. The Advisor's Resource, Inc. proposes the following: Scheduled calls/visits to review the SEC document request list and testing. Prescheduled one-hour conference calls two months of each quarter to work with the CCO beginning February 2011. Four onsite quarterly visits for two to three hours with one or two consultants to review monthly tests, discuss ongoing compliance issues and prepare for an SEC exam ... Policies and Procedures manual maintenance, including code of ethics. Policies and procedures manual, including Code of Ethics, updated to ensure that any new regulations and client changes are incorporated. Annual Review created for 2011 by January 2012. Documents reviewed prior to onsite visit. Onsite visit to discuss and review program changes during the year. Written reports created. Annual maintenance ... Periodic emails regarding developments in SEC regulations and exams." Exhibit 4, January 24, 2011 Proposal and Scope of Work, at pp. 1-2 (Bates LS0026-27).

- "Consultant will provide assistance as needed and/or as outlined below to Advisor: Annual maintenance service; Annual Review; Update policies and procedures manual/Code of Ethics, Ongoing compliance consulting and onsite visit; Design/schedule program to prepare for SEC exam." Exhibit 5, January 2011 Agreement for Compliance Services, at p. 2) (Bates LS0031).

These documents show that The Advisor's Resource was hired to advise on all aspects of compliance with the Act. The Division's suggestion to the contrary is untrue.

3. The Advisor's Resource Was Specifically Informed About the Trading Practice in Question

The Division argues that there is no evidence that the compliance consultant was told about the trading practice at issue in this case or that the consultant gave any advice about the matter. Div. Br. at 12. This argument is false. The record amply shows that Respondents' compliance advisor was specifically informed that TSA was handling clients' trades through TSF and that markups were being charged, and that the advisor specifically advised about the procedure for handling such trades.

On February 15, 2011, the compliance advisor issued an Annual Review for 2010. On page 4 of that review Ms. Shirkey noted the following:

> ***CONFLICTS OF INTEREST***
> ***Findings***
> - TSA has an affiliated broker/dealer through which the fixed income securities recommended for Firm clients are purchased. IARs mark up the individual bonds, with bonds purchased in blocks as appropriate and all clients receiving the same price.

Exhibit 6, page 4 of 8 (Bates F-TSA-E-0000484).

Appended to the 2010 Annual Review was a Risk Assessment spreadsheet for 2010. This spreadsheet further shows that the consultant understood the trading process and recognized the following risks, among others:

Risk Category	Potential or Actual Risk	Advisor's Risk	Mitigated?	Reg.or Best Practice?	P&P Manual Location	Comments
Affiliates	Inadequately disclosed on ADV, U-4s					
Affiliates	**Conflicts are not fully disclosed**	Med				**May want to strengthen language in new ADV form regarding receipt of double fees**
Affiliates	**Principal trades to cherry pick or dump**	Lo				
Affiliates	**Trades thru own broker-dealer to generate transaction revenue**	High				**CCO to conduct spot-checks of best execution from TSA to other broker/dealers and across SA brokers**
Agency Cross-Transactions	**Trading is Allowed Between Firm and Client**	Med.		Regulatory		**Tri-Star Financial may trade agency and/or principal trades for TSA clients. This is disclosed on the confirmation.**

Exhibit 6, first page of Risk Assessment (ninth page of exhibit, Bates F-TSA-E-0000489) (emphases added).

The compliance advisor specifically advised Respondents regarding what notices TSA's clients should receive. The Policies and Procedures manual for February 2011 had a section for "Regulatory Filings and Required Client Notice Policies and Procedures." Page 2 of that section addresses "Required Client Notices" as follows:

> **a. General Policy**
> TSA will meet all requirements for notices to clients.
> These notices include:
> *At onset of relationship*
> - ADV II (including Schedule F)
> - Privacy policy
>
> *Annually thereafter*
> - Written offer of Form ADV II or copy of Form ADV II (including Schedule F)
> - Privacy policy

See Exhibit 7 at p. 2.

By comparison, the same section for 2011 (as of November 2011, after the firm received the Commission's August 2011 deficiency letter) is nearly identical, except that it adds a new policy for notice to clients regarding trades through TSF:

> **a. General Policy**
> TSA will meet all requirements for notices to clients.
> These notices include:
> *At onset of relationship*
> - ADVs
> - Privacy policy
>
> *Annually thereafter*
> - Written offer or actual delivery of Form ADVs
> - Privacy policy
>
> *On-Going as needed*
> - Principal Transaction written disclosure notice and evidence of client consent (See forms under Principal transactions in the "Trading session [sic] of this manual.)

See Exhibit 8 at p. 2.

The above evidence shows clearly that the compliance advisor was specifically informed that TSA's trades were handled through the TSF account. Upon being so informed, she advised

only that the firm should strengthen its Form ADV and conduct best execution spot-checks. She also noted that trade confirmation slips disclosed that trades went through TSF. When specifically advising Respondents regarding required client notices, she failed to inform Respondents that client notices must include notice and consent for each alleged principal trade.

Therefore, the Division is flat wrong to suggest that any "material information was withheld" from the compliance advisor or that the compliance advisor was unaware that TSA was running clients' trades through TSF. Div. Br. at 12, fn. 5.[2]

It is true, as the Division asserts, that Respondents aver that "their consultant did not advise Respondents" about whether its TSF account was a "principal" account for purposes of Section 206(3)." Div. Br. at 12. But that shows nothing about whether the compliance advisor was informed about the actual trading process. The Respondents' advisor was informed of the trading process and helped Respondents make disclosures about the process, but failed to advise Respondents that these were principal trades subject to the requirements of Section 206(3) and that TSA should obtain advance client consent for each trade.

In summary, there was no limitation on The Advisor's Resource's engagement to make sure that TSA was fully in compliance with all aspects of the Act. The Advisor's Resource was specifically informed about the trading process in question. The Advisor's Resource failed to inform TSA, Payne or Vaughan that the law required them to obtain client consent prior to each individual trade and to so provide in their compliance manual.

For all of the above reasons, and the reasons stated in Respondents' initial brief, the charges against Payne and Vaughan should be dismissed in their entirety.

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[2] During its wide-ranging investigation spanning many months, thousands of documents, and four depositions, the Staff never questioned or deposed Ms. Shirkey.

II. TSA DID NOT KNOWINGLY ENGAGE IN PRINCIPAL TRANSACTIONS IN VIOLATION OF SECTION 206(3)

Respondents argue in their initial brief that the term "knowingly" in Section 206(3) requires at least that TSA knew it was engaged in principal transactions as defined by the Commission and set forth in Section 206(3).

The Division argues for a strictly literal reading of Section 206(3), arguing that "[t]he word 'knowingly' quite plainly modifies the act of purchase, selling or effecting a purchase or sale – an act that in this case is not in dispute." Div. Br. at 7.

Section 206(3) prohibits an advisor,

> acting as principal for his own account, knowingly to sell any security to or purchase any security from a client, or acting as broker for a person other than such client, knowingly to effect any sale or purchase of any security for the account of such client, without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction.

The Division states correctly that the term "knowingly" modifies the act of sale or purchase. But it also modifies the clause "acting as principal for his own account." The Division itself has argued that Payne and Vaughan were not advised by their compliance advisor that the trading at issue was principal trading as defined by the Commission. Div. Br. at 12. Payne and Vaughan therefore could not have knowingly caused TSA to act as a principal for its own account.

The Division argues that "TSA is accountable for the actions of its responsible officers, including Payne and Vaughan." It cites *In re Zion Cap. Mgmt. LLC*, SEC Rel. No. 220, 2003 WL 193535, at *8 (Jan. 29, 2003). That opinion does so state, but the next sentence of the opinion states: "A company's scienter may be imputed from that of the individuals controlling it." *Id.* In this case, it has already been amply shown that Payne and Vaughan did not

understand that they were causing TSA to act as principal for its account in violation of Section 206(3). If a company's scienter may be imputed from its controlling individuals, then a company's lack of scienter may also be so inferred.

The Division argues that Section 206(3) was enacted "because principal transactions pose the potential for conflicts of interest between the adviser and the client." Div. Br. at 5. That is true. But the argument cuts against the Division when, as in this case, the alleged principal account was not used to hold securities for any purpose other than to allocate the securities to clients' accounts. In such a case, there is no possibility for self-dealing, price manipulation, "trading ahead," dumping, or any other abuse.

Therefore, the Division's claims against TSA should be dismissed.

CONCLUSION

For all of the above reasons and those set forth in Respondents' initial brief, the Division's claims against Respondents should be dismissed in their entirety.

Dated: March 28, 2014

AJAMIE LLP

By: Dona Szak

Thomas R. Ajamie
Texas Bar No. 00952400
Dona Szak
Texas Bar No. 19597500
Wallace A. Showman
New York Bar No. 2266666
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Houston, Texas 77002
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Counsel for Respondents Tri-Star Advisors, Inc., William T. Payne and Jon C. Vaughan

Exhibit A

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-03686-A
PARALLAX INVESTMENTS, INC.)

WITNESS: William Thomas Payne
PAGES: 1 through 134
PLACE: Texas State Securities Board
1919 North Loop West, Ste. 300
Houston, Texas
DATE: Thursday, August 16, 2012

The above-entitled matter came on for hearing, pursuant to notice, at 9:09 a.m.

Diversified Reporting Services, Inc.
(202) 467-9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:
JOANN HARRIS, ESQ.
BARBARA GUNN, ESQ.
Division of Enforcement
Securities and Exchange Commission
801 Cherry Street, Unit 18
Fort Worth, Texas 76102
817-978-6467

On behalf of the Witness:
ROY WASHINGTON, ESQ.
18115 Heaton Drive
Houston, Texas 77084
281-859-6774

CONTENTS

PROCEEDINGS

MS. HARRIS: Let's go on the record at 9:09 a.m. on August 16, 2012. Please raise your right hand.

Whereupon,

WILLIAM THOMAS PAYNE

having been first duly sworn, was called as a witness herein and was examined and testified as follows:

EXAMINATION

BY MS. HARRIS:

Q Do you understand that you'll remain under oath throughout these proceedings here today?

A Yes.

Q Okay. If you would please state and spell your full name for the record.

A William Thomas Payne, P-A-Y-N-E.

Q We've met informally off the record, but, again, my name is Joann Harris. I'm an attorney with the SEC's Fort Worth regional office. Joining me today is Barbara Gunn. She's an assistant regional director also in the Fort Worth office. We are both officers of the United States Securities and Exchange Commission for purposes of this proceeding.

This is an investigation by the United States Securities and Exchange Commission in the matter of

individual -- you'd have to sit down and go over their risk tolerance -- what they're looking for, what kind of, you know, income do they want. Do they need safety? What are their criteria? And you can group them a little bit, but there's no two people that are exactly the same.

Q So it's much more time consuming to do the -- say, an advisory client -- looking for CMO for an advisory client.

A Yeah. We meet with our clients pretty much on a quarterly basis with every one of our Tri-Star Advisor client. Institutional clients we don't do that.

Q All right. Well, I know we've talked a lot about Tri-Star Advisors, but just to be clear can you tell me what Tri-Star Advisors is?

A Tri-Star Advisors is an investment advisory firm.

Q And when was it created?

A In 2009.

Q And are you a founder of Tri-Star Advisors?

A Myself and Jon Vaughan are the founders of Tri-Star Advisors.

Q Great. And why you and Mr. Vaughan create Tri-Star Advisors?

A Many of our clients wanted us to do more than just be a broker to them. They want us to do more

advisory service for them. So we went for the wishes of our clients and the industry in general.

Q What percentage of Tri-Star Advisors do you own?

A 50 percent.

Q And I take it Mr. Vaughan owns the other 50?

A That is correct.

Q And you've listed here for Tri-Star Advisors in your background that Kelly Durham is your supervisor. Who's Ms. Durham?

A Ms. Durham is our -- she's our compliance officer.

Q And how long has she served in that role?

A Since its inception.

Q Okay. I want to talk a little bit about compensation. And let's start with Tri-Star Advisors. Does Tri-Star Advisors pay you a salary?

A No.

Q No. Does Tri-Star Advisors provide you with any form of compensation besides salary?

A We make a decision between Jon Vaughan and myself. If we are going to take any compensation at all, that is at the discretion of Jon Vaughan and myself.

Q Have you ever -- has Tri-Star Advisors ever paid you any compensation?

A Yes, it has.

Q And when -- when was that?

A On a quarterly basis we look at doing that. We have not for quite some time now.

Q When was the last time you received compensation from Tri-Star Advisors?

A Sometime last year.

Q And how much was that?

A I wish I could remember.

Q Was it $100? $1000? 10,000?

A It was a percentage of our commissions, so it was probably in the -- probably 1- to $200,000 range.

MR. WASHINGTON: We're talking about Tri-Star --

THE WITNESS: She's saying Advisors.

MS. HARRIS: Advisors, yes.

MS. HARRIS: You said percentage of --

MR. WASHINGTON: And you mentioned that commission piece.

I'm sorry. Go ahead.

BY MS. HARRIS:

Q I was -- you said it was a percentage of your commission at Tri-Star Advisors?

A I'm sorry. Are we referring --

Q Did you misspeak?

A Percentage of what we have left after all compensations have been paid, bills have been paid -- whatever is left the owners look at what compensation is --

Q So on a quarterly basis after all the bills are paid you and Mr. Vaughan sit down and make a decision as to whether that particular quarter it makes sense for either one of you or both of you to take any type of compensation from that quarter.

A Correct.

Q Does Tri-Star Advisors ever ay you any type of bonuses or anything like that?

A I guess it's just kind of a gray question. It would still be -- because you're an owner -- what would you call it -- percentage of your profits or a bonus would kind of lump into the same.

Q Okay. But there's no sort of separate bonus program or --

A No.

Q Now, on the Tri-Star Financial side --

MS. GUNN: Before we go there just one question.

MS. HARRIS: Sure.

BY MS. GUNN:

Q When you and Mr. Vaughan do this quarterly

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
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WITNESS: William Thomas Payne
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1919 North Loop West, Ste. 300
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Diversified Reporting Services, Inc.
(202) 467-9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:
JOANN HARRIS, ESQ.
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801 Cherry Street, Unit 18
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On behalf of the Witness:
ROY WASHINGTON, ESQ.
18115 Heaton Drive
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281-859-6774

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MS. HARRIS: Let's go on the record at 9:09 a.m. on August 16, 2012. Please raise your right hand.

Whereupon,

WILLIAM THOMAS PAYNE

having been first duly sworn, was called as a witness herein and was examined and testified as follows:

EXAMINATION

BY MS. HARRIS:

Q Do you understand that you'll remain under oath throughout these proceedings here today?

A Yes.

Q Okay. If you would please state and spell your full name for the record.

A William Thomas Payne, P-A-Y-N-E.

Q We've met informally off the record, but, again, my name is Joann Harris. I'm an attorney with the SEC's Fort Worth regional office. Joining me today is Barbara Gunn. She's an assistant regional director also in the Fort Worth office. We are both officers of the United States Securities and Exchange Commission for purposes of this proceeding.

This is an investigation by the United States Securities and Exchange Commission in the matter of

Q Okay. What did -- what do you remember Ms. Durham sharing with you about that conference?

A That there was 2063 which had a caveat in there that we were unaware of that stated that if we didn't own the broker-dealer it would be a different situation. If we did own the broker-dealer and we had to pay attention to what it is and to change our business model.

Q After being made aware of the 2063 issue what was your continued involvement as far as that issue went? After you first became aware of it how involved were you in further discussions of that issue?

A We were very involved by getting counsel and by getting our consultant which we had -- was Linda Shirkey. We had her from the beginning. She was also unaware of 2063.

Q Who is Linda Shirkey again?

A She's in the industry of helping put together a registered investment advisory firm. She's very, very astute in the role of investment advisory. She's done -- her resume is just awesome. So we from the beginning used her to put together Tri-Star Advisors and leaned on her heavy to help us in the regulatory area.

Q Is Ms. Shirkey affiliated with a firm -- a consulting firm or is she a solo consultant? Do you know?

A She's a solo consultant to my knowledge.

MR. WASHINGTON: Point of clarification or I can hold for later.

MS. HARRIS: What's your clarification?

MR. WASHINGTON: That Linda Shirkey actually had -- she's a founder of a compliance consulting firm -- Advisors Resources.

THE WITNESS: It's a small firm. Am I correct?

MR. WASHINGTON: She has five employees.

BY MS. HARRIS:

Q Now, is Ms. Shirkey actually the person -- of this larger group of five or some employees is she the one that actually provides the compliance consulting personally or is there someone else in her office that handles that?

A That's who we met with and who -- I don't know if she farms that out to someone else in her office or not. But we dealt pretty --

Q Directly with her?

A -- exclusively with her.

Q Okay. And has Tri-Star Advisors had this consultant relationship with Ms. Shirkey and her firm since its inception?

A Yes. I will say that we started a corporation first before we got a compliance officer, so I have to clarify. There was a little bit of time involved before we could get everything put together. But she was in the very beginning of that.

Q So let me just ask you generally, what is your understanding of what the types of services that Ms. Shirkey has provided to Tri-Star Advisors?

A To get our -- to put together the broker-dealer, let us know what types of reporting we need to do, all the compliance we need to have ready. She worked hand-in-hand with Kelly to put everything together with our compliance manual --

MR. WASHINGTON: The word you used was broker-dealer. You were actually referring to --

THE WITNESS: The investment advisor -- I'm sorry. Investment advisor.

BY MS. HARRIS:

Q So I'm sorry. You're saying reporting and --

A Compliance manual, getting ready for audits.

Q Now, for those types of things that you just generally described -- reporting, helping you with the compliance manual, getting ready for the audit -- those types of things, are any of those activities -- are those activities that you personally also participated in?

A I participated in all the meetings with Linda Shirkey.

Q Did you actually review, say, drafts of the compliance manual and things of that nature?

A That would be Kelly -- Kelly Durham's job. But we were given the final draft and were consulted on many areas of the compliance manual. I cannot tell you that I was at every meeting with Linda Shirkey, but I was in the majority of the meetings with Linda Shirkey.

Q So I think my -- sort of going back to my question a few minutes ago I'd asked generally, once the 2063 issue was raised basically what was Tri-Star Advisors' response? Like what happened next? And you mentioned getting counsel and getting consultant. Was there a separate legal counsel you hired besides Ms. Shirkey or were those one and the same thing? I want to make sure I'm not --

A They're one and the same.

Q Besides getting the consultant, Ms. Shirkey, was there any other action items taken that you recall that Tri-Star Advisors did in response to the 2063 issue being raised?

A Yes. We made sure that we would comply with all the rules and regulations that 2063 had mandated.

Q And did you lead that compliance effort or did somebody else do that?

A I would say that would be a team effort between

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FW-03686-A
PARALLAX INVESTMENTS, INC.)

WITNESS: Jon Carter Vaughan
PAGES: 1 through 69
PLACE: Texas State Securities Board
1919 North Loop West, Ste. 300
Houston, Texas
DATE: Thursday, August 16, 2012

The above-entitled matter came on for hearing, pursuant to notice, at 1:12 p.m.

Diversified Reporting Services, Inc.
(202) 467-9200

APPEARANCES:

On behalf of the Securities and Exchange Commission:
JOANN HARRIS, ESQ.
BARBARA GUNN, ESQ.
Division of Enforcement
Securities and Exchange Commission
801 Cherry Street, Unit 18
Fort Worth, Texas 76102
817-978-6467

On behalf of the Witness:
ROY WASHINGTON, ESQ.
18115 Heaton Drive
Houston, Texas 77084
281-859-6774

CONTENTS

PROCEEDINGS

MS. HARRIS: We're on the record at 1:12 p.m. on August 16, 2012.

Please raise your right hand.

Whereupon,

JON CARTER VAUGHAN

having been first duly sworn, was called as a witness herein and was examined and testified as follows:

EXAMINATION

BY MS. HARRIS:

Q Do you understand that you will remain under oath throughout these proceedings today?

A Yes, ma'am.

Q And if you would, please state and spell your full name for the record.

A First name is Jon, J-O-N, middle name is Carter, C-A-R-T-E-R, last name is Vaughan, V-A-U-G-H-A-N.

Q Thank you. We've met informally off the record, but again, my name is Joann Harris. I'm an attorney for the SEC's Forth Worth office. Joining me today, who you also met, and she's not in the room at the moment, is Barbara Gunn. She's an assistant regional director, also in the Fort Worth office. And for purposes of today's proceeding, we are both officers of the United States Securities and Exchange Commission.

examiners?
A Yes, ma'am.
Q And what do you remember from your discussions about that?
A I remember that it was a little confusing at the time because coming from the broker-dealer side, principal trading always meant having a proprietary brokerage account. Now, we don't really trade for our own account at Tri-Star Financial, but just having that account meant if bonds come in and hit that account and then you mark them up, that's a principal transaction.
And so on the Tri-Star Advisor side that question came up: Are you principal trading? Which I believe we said we don't think we're principal trading because Tri-Star Advisors doesn't have a trading account. We have an omnibus allocation account, but we didn't have any principal trading account.
And I'm not sure if it was before or after that, I know Kelly Durham, our CCO, had gone to SEC conference -- I don't remember if it was a week before or a week after, but sometime in there --
Q Around the examination?
A Around the examination -- that she came back and said, There's something funny here with the principal trading and we need to kind of look into it a little

more. And we have our outside compliance consultant that we hired from day one to get everything right. We contacted her after your initial examination and we sort of delved into a little bit more, and that was the point where we said, Okay, this may be principal trading, not because we have an account but because Bill has ownership of an affiliated dealer. So that was when we kind of became aware of the situation.
Q So the first time that you became aware of a potential issue involving principal trading and Section 206(3) was at or around the time of the SEC examination and when Ms. Durham went to that conference.
A Yes, ma'am. Because she came back and said, We're going to need to look into this rule a little bit more. Because there's some subsets of it that, quite frankly, our compliance consultant didn't catch, and so we investigated it more.
Q Who is that outside compliance consultant?
A Linda Shirkey. And I apologize, I don't remember the name of her company.
Q I understand her firm that she works with, owns, I'm not sure exactly, is Advisor's Resource. Does that sound right?
A That sounds right, yes, ma'am.
Q Have you personally met with Ms. Shirkey over

the years about compliance issues with respect to Tri-Star Advisors?
A Yes, ma'am. We try to get together -- well, it's only now three years in, but it seemed like we did a semiannual or annual review just to kind of talk about the changes in the rules and the regs, what we needed to be aware of. Now, we've been in more communication with her lately, obviously, regarding the rule 206(3), the principal trading rule.
Q Did you ask Ms. Shirkey how come she hadn't caught this earlier?
A Yes, ma'am, I did.
Q What did she say?
A She said the rule was stated there kind of under the same assumption that without a proprietary trading account, and it was sort of a subset of that, the control interest factor, and that was one that I can understand can be overlooked but makes me wonder do I need to have two compliance consultants. But we caught it, we corrected it, and so I feel confident now that we won't have any sort of oversights on those things.
Q Okay. Well, just to give you a little bit of context, I understand that post SEC examination, Tri-Star Advisors and Tri-Star Financial has changed its process a bit on how it actually brings in these CMOs and handles

the markets. Is that also your understanding?
A Yes, ma'am. We changed it, I think, in the summertime, maybe, of last year.
Q Well, I'd like to ask you, if you could, I want to focus on the time period with the old process as to how it was, and I want to understand a little bit, if you had an understanding at the time, exactly what was it that was happening that was a potential violation of 206(3), like what was the old process.
A I'm sorry. Ask me that again.
Q Well, let me start over. Why don't you walk me through how CMOs for Tri-Star Advisory clients, if they're being bought through Tri-Star Financial, how were those processed internally that potentially, I think, gave rise to this principal trade issue.
A I understand. Initially when we would buy a bond from the street, it would come into Tri-Star Financial's inventory account.
Q Is that the 604 account?
A Yes, ma'am. Okay, so you're familiar with these terms. So the 604 account, and then it would be marked up and sent to the TSA omnibus allocation account. And our understanding was, because we had no proprietary account for TSA, there wasn't a principal trade issue there because we weren't putting into a trading account

Exhibit 1

TheAdvisor'sResource
Your Compliance Partner +

AGREEMENT FOR COMPLIANCE SERVICES

This AGREEMENT ("Agreement") made on January __, 2009, between:

TriStar Advisors, LLC
5718 Westheimer, Suite 950
Houston, Texas 77057
("Advisor")

And

The Advisor's Resource, Inc.
2617C West Holcombe Blvd. #522
Houston, Texas 77025 ("Consultant")

RECITALS

Advisor is engaged in or planning to engage in the business of

_____ financial planning
__x__ investment management
_____ hedge fund management
_____ other

and has its principal place of business at the above address.

Advisor desires to engage the services of the Consultant, as an independent contractor and not as an employee, to assist in the project as defined in Terms and Services and to render services on the terms and conditions provided in this Agreement.

Consultant is a compliance consultant with a background in compliance, registration, marketing and administration of investment advisors registered with the United States Securities and Exchange Commission and/or state regulatory authorities responsible for the regulation of investment advisors. Consultant desires to render professional compliance consulting services for Advisor on the terms and conditions provided in this Agreement.

THEREFORE, Advisor engages the services of Consultant upon the terms and conditions set forth herein. In consideration of the mutual promises contained in this Agreement, the parties agree as follows:

II. SERVICES

Consultant will provide assistance as needed and/or as outlined below to Advisor:

_____	Annual maintenance service
x	Registration with appropriate authorities
_____	Compliance "Check-up"
_____	Conduct on-site "Mock Exam"
_____	Set up compliance program for firm
x	Prepare policies and procedures manual/Code of Ethics
_____	Assist in preparation for examination by regulators
_____	Assist in responding to deficiency letter from regulators
_____	Assist with business strategy issues
_____	Train or oversee staff using IARD system
_____	Ongoing compliance consulting and onsite visit
_____	Other:

III. USE OF AGENTS OR ASSISTANTS

Consultant is authorized to engage the services of Linda Shirkey, Jennifer Castillo, Robin Lanier, Monica Blanco, Jan Huff or other agents, assistants, persons or corporations that Consultant determines proper to aid or assist in the proper performance of duties. Ms. Shirkey's work on Client's behalf will be charged at the rate of $200/hour. Ms. Castillo's work on Client's behalf will be charged at the rate of $130/hour, and Ms. Lanier, Ms. Blanco and Ms. Huff's work will be charged at $100/hour. Fees for other services will be agreed to at the time their services are engaged by The Advisor's Resource, Inc. Hourly rates for each of the above-mentioned persons are subject to change.

IV. FACILITIES

Consultant will furnish all facilities and equipment that may be necessary to perform services required under this Agreement.

V. FEES

_____	Hourly rate for consultant and assistant
x	Fixed fee for project as outlined in proposal
x	As Per Attached Proposal dated January 30, 2009
_____	Other:

Fees are due and payable immediately upon presentation of an invoice. Fees more than 30 days late will accrue interest at the rate of 1.5% per month. Client is responsible for all filing fees, including IARD filing fees.

The Advisor's Resource, Inc. will charge fixed fees for various services, including, but not limited to, manuals, compliance setup materials and Advisor/Client contracts. The Advisor's Resource, Inc. may change hourly rates with 30 days' written notice.

Emergency rates, in which Client requires Consultant to work with 24 hours' or less notice, on weekends or on market holidays, will be charged at twice the Consultant's or Assistant's hourly rate.

Travel time outside of Houston, Texas will be reimbursed at one-half of the hourly rate of the traveling personnel for a maximum of 4 hours per day.

V. EXPENSE REIMBURSEMENT

Expenses incurred by Consultant on Advisor's behalf, or directly as a result of work conducted for Advisor, will be charged to Advisor. Advisor agrees to pay delivery, parking, travel and associated moderate meal charges when Consultant must travel to see Advisor. All such expenses will be fully documented.

VI. DEVOTION OF TIME

Consultant will devote the time that is reasonably necessary for a satisfactory performance of her duties under this Agreement. If Advisor requires additional services not included under this Agreement, Consultant will make a reasonable effort to fit those additional services into her time schedule without decreasing the effectiveness of performance of duties required under this Agreement. However, the availability of additional services is subject to the provisions for additional fees for additional services as discussed in Section IV, above.

VII. CONFIDENTIALITY

Consultant agrees to keep confidential all matters concerning the working relationship with Advisor, the Advisor's business information and any information relating to Advisor's clients. Consultant will shred waste paper relating to Advisor. Advisor further acknowledges and agrees that any work produced by Consultant in the course of performing Consultant's duties under this Agreement is the work product of Consultant and that Advisor will not divulge, disclose or disseminate any such work product without the explicit written agreement to do so by the Consultant.

VIII. CLIENT'S RESPONSIBILITIES

Advisor agrees to provide Consultant with requested information promptly and completely. Advisor further agrees to promptly review all documents provided by The Advisor's Resource, Inc. and to indemnify Consultant for incorrect information provided by Advisor and submitted on filings. Advisor will respond in a timely manner to all proposed filing materials, policies or manuals prepared by Consultant. Advisor will make every effort to follow applicable securities laws and regulations. Advisor will make appropriate personnel available to Consultant to facilitate Consultant's work. Advisor will maintain copies of all documents filed on its behalf.

Advisor acknowledges fully that Advisor is ultimately responsible for any and all documentation filed on its behalf with any governmental entity, whether state, federal or otherwise. Advisor, by its execution hereof, indemnifies, defends and holds Consultant harmless from and against any claims, actions or demands that may result from any false, misleading or inaccurate information which is received from Client by Consultant.

Advisor further acknowledges that it will hold The Advisor's Resource, Inc. harmless for any of its actions in the performance of this Agreement except those acts which may be deemed gross negligence or intentional acts.

IX. TERMINATION

This Agreement may be terminated by either party immediately upon receipt of written notice by email, FAX or letter. Prepaid unearned fees will be refunded to Advisor upon termination of the Agreement, excluding out-of-pocket expenses and nonrefundable $500 Consultant Engagement fee. Advisor agrees to remit Consultant for time expended to date of termination immediately upon receipt of an invoice. Consultant may terminate this Agreement if fees are not received within 45 days of mail date of invoices.

X. ALTERNATIVE DISPUTE RESOLUTION

All disputes that may arise between the parties regarding the interpretation or application of this contract and its legal effect must, to the exclusion of any court of law, first be mediated unless the parties can resolve the dispute by mutual agreement. In the event mediation becomes necessary, the parties will make good faith efforts to select a mutually agreeable mediator. In the event no such agreement on a mediator can be reached, the matter will be mediated through a panel of mediators, with each party choosing one mediator, then those two selected mediators shall choose the third mediator. In the event the parties cannot come to a resolution through mediation, then the matter in dispute shall be arbitrated by an arbitrator mutually agreed upon by the parties. In the event the parties cannot agree on an arbitrator, then each party shall select one arbitrator and those two selected arbitrators shall select a third arbitrator; and the matter in dispute shall be resolved by a panel of arbitrators so selected. Either party may submit any dispute to mediation thirty days after the other party has been notified as to the nature of the dispute. The procedures will be governed by the rules selected by the panel of arbitrators or mediators or the sole mediator or arbitrator. The proceedings will be governed by the statutes of the State of Texas, and the proceeding will be held in the city in that state where Consultant's principal office is located. Any such arbitration decision shall be binding on the parties. The sole arbitrator or panel of arbitrators, if any, may award the winning party necessary costs of mediation and/or arbitration, including but not limited to, reasonable attorney's fees.

XI. WAIVER OF RIGHT

The failure of either party to enforce any provisions of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel compliance with any other provision in this Agreement.

XII. ENTIRE AGREEMENT

This Agreement constitutes the sole and only agreement of the parties and supersedes any prior understanding or written or oral agreements between the parties respecting this subject matter.

The parties acknowledge that the following items, and the terms stated therein, are incorporated into this Agreement and are made a part hereof for all purposes:

Item No. 1: Proposal Dated January 30, 2009

XIII. ASSIGNMENT

Neither this Agreement nor any duties or obligations may be assigned by Consultant without the prior written consent of Advisor, which written consent shall not be unreasonably withheld. In the event of an assignment by a party to which the other has consented, the assignee or the assignee's legal representative must agree in writing with the non-assigning party to assume, perform and be bound by all provisions of this Agreement.

XIV. SUCCESSOR AND ASSIGNS

Subject to the provisions regarding assignment, this Agreement is binding on and inures to the benefit of the parties to it and their respective heirs, executors, administrators, legal representatives, successors and assigns.

XV. GOVERNING LAW

This Agreement and the rights and duties of the parties under it are governed by the laws of the State of Texas, without giving effect to any rules governing the conflict of laws.

XVI. AMENDMENT

This Agreement may be amended by the mutual agreement of the parties to it, in writing to be attached to and incorporated in this Agreement.

XVII. LEGAL CONSTRUCTION

In the event that any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, that invalidity, illegality or unenforceability will not affect any other provisions, and the Agreement will be construed as if the invalid, illegal or unenforceable provision had never been contained in it.

Executed at Houston, Texas, on _____.[date].

Client: TriStar Advisors, LLC

By: _____
William Payne

Consultant: The Advisor's Resource, Inc.

By: _____
Linda Shirkey

Executed at Houston, Texas, on February 4 2009 [date].

Client: TriStar Advisors, LLC

By: _____
William Payne

Consultant: The Advisor's Resource, Inc.

By: _____
Linda Shirkey

Exhibit 2

The Advisor's Resource
Your Compliance Partner +

Proposal and Scope of Work
for
TriStar Advisors, LLC
January 30, 2009

TriStar Advisors needs:

1. To register with the State of Texas as an investment advisor.

2. To create a Texas-compliant manual.

The Advisor's Resource, Inc., proposes the following:

REGISTRATION WITH THE STATE OF TEXAS

- Completion of Form ADV Parts I and II to reflect business including:
  - One draft and one final version
  - Creation of the completed documents
  - Periodic phone consultations to obtain required information
  - Final version of Parts I and II to be submitted through the IARD system
  - Final Word version of Form ADV Part II and Schedule F
  - Directions for collection and submission of additional required documents

- Completion of one U-4 form (to register an individual) and submission on the IARD system

- Submission of electronic and hard copy documents

- Follow-up with authorities if they have any questions

Fees Due to The Advisor's Resource
- $3500 flat fee (includes registration for firm and one person)
- $250 for each U-4 form to register additional persons
- $250 for The Advisor's Resource to develop a client agreement

Additional consulting is available at $200 per hour. Please note that this will be the hourly rate charged for reworking a contract or extenuating circumstances, e.g., filing problems and/or disclosure of multiple complaints. The rate for review of or creation of a client agreement is also $200/hour.

Additional Registration Fees Due to Other Parties
- $235 to State of Texas for each additional individual registered under Advisor (Additional fees may apply if Advisor registers in multiple states.)
- $30 to IARD for each individual registered under Advisor

This proposal is valid for 30 days.

- $275 to State of Texas for Advisor's registration fee

POLICIES AND PROCEDURES MANUAL, INCLUDING CODE OF ETHICS ($2200)

- New policies and procedures manual created, including Code of Ethics
  - Anti-Money Laundering
  - Books and Records Retention
  - Communications and Advertising
  - Custody
  - Disaster Recovery
  - Employees
  - ERISA (if applicable)
  - General Compliance
  - Intake
  - Privacy
- Includes a telephone interview, a draft, one set of changes and a final electronic copy (in Word and pdf) and hard copy (in a binder with tabs and a table of contents)
- A customized 2009 Compliance Calendar created for TriStar Advisors

HOURLY CONSULTING RATES

The 2009 rates for consulting time on an hourly basis beyond that mentioned above, including consulting on major change in business, major change in partnership, etc., are as follows:

Linda Shirkey - $200
Jennifer Castillo - $130
Robin Lanier - $100
Monica Blanco - $100
Jan Huff - $100

OUR PROPOSAL TO TRISTAR ADVISORS, LLC:

ALL ABOVE SERVICES, EXCEPT ADDITIONAL CONSULTING, TO BE INCLUDED FOR A TOTAL OF $5700 ARE PAYABLE AS FOLLOWS: $3500 DUE IMMEDIATELY, AND $2200 DUE 30 DAYS AFTER RECEIPT OF FIRST CHECK.

WE ACCEPT THE ABOVE PROPOSAL.

SIGNATURE

2-4-09
DATE

FEES RECEIVED MORE THAN 30 DAYS AFTER DUE DATE MAY RESULT IN CANCELLATION OF THE SERVICE AGREEMENT. THE ADVISOR'S RESOURCE WILL NOT REMIT FEES FOR UNUSED HOURS AT CLOSE OF YEAR IF CLIENT DOES NOT USE ALL PREPAID TIME.

Thank you and we look forward to becoming your compliance partner.

Exhibit 3

TheAdvisor'sResource
Your Compliance Partner+

Proposal and Scope of Work
for
Tri-Star Advisors, LLC
December 23, 2009

Tri-Star Advisors, LLC needs:

1. To upgrade and maintain an effective compliance program for an SEC-registered investment advisory business.

2. Ongoing support for its investment advisor compliance program through December of 2010 to position the firm for considerable growth and to have a "successful" SEC examination.

The Advisor's Resource, Inc., proposes the following for the next twelve-month period:

DESIGN OF TESTING PROGRAM, POLICIES AND PROCEDURES MANUAL URDATE, INCLUDING CODE OF ETHICS ($1350)

- Policies and procedures manual, including Code of Ethics, revised to ensure that any new regulations and client changes are incorporated
- Testing designed and implemented
- New checklists and forms prepared
- A customized Compliance Calendar created for Tri-Star Advisors, LLC, including forensic testing

Deliverables: *2010 Compliance Calendar*
Testing forms and checklists as appropriate
Written proof of testing outcomes and recommendations

SCHEDULED CONFERENCE CALLS AND ONSITE VISITS ($4000)

- Prescheduled one-hour conference calls two months of each quarter to work with the CCO beginning February 2010.
- Four onsite quarterly visits for two to three hours with one or two consultants to review prior tests, discuss ongoing compliance issues and prepare for future testing.

This proposal is valid for 30 days.

ANNUAL REVIEW CREATED FOR 2009 BY MARCH 2010 ($3500)

- Documents reviewed prior to onsite visit
- Two-day onsite visit to discuss and review program changes during the year
- Written reports created

Deliverables: Written Annual Review Report
Risk Assessment Document
"To Do" List

ANNUAL MAINTENANCE ($650 IF WE RECEIVE YOUR DATA BY FEBRUARY 15; OTHERWISE $750)

- Periodic emails regarding developments in SEC regulations and exams
- Annual ADV Amendment Part I (March)
- Annual reminder and tracking of payment for renewing SEC registration (March)
- Annual reminder and tracking of payment for renewing State registration (November)
- Annual reminder for delivery of Privacy Policy and written offer of Form ADV II to all clients

ATTENDANCE FOR ONE PERSON TO CCO SPRING TRAINING SESSION ($850)

The Spring Training session is a six-hour training program/conference. Topics covered last year were as follows:

- Disaster recovery plans
- Market volatility
- Madoff and Stanford, marketing and compliance implications
- Recent SEC exams and interviews
- Current SEC hot buttons
- Conducting annual reviews and risk assessments
- Personal trading policies
- The future of regulators and regulations

TWO PRE-PAID PACKAGES OF CONSULTING TIME ($4400)

- Prepaid time to consult on various compliance matters; the following items are likely to exceed the prepaid allowance:
  - SEC exam
  - Change in CCO
  - Merger
  - Change in partnership
  - Responding to a deficiency letter
- Exceptions, travel time or extra trips charged hourly at the following rates

HOURLY CONSULTING RATES

Additional consulting for special projects beyond those outlined above will be charged on an hourly rate as outlined below.

Linda Shirkey - $220	Monica Blanco - $125
Allison McDowell - $200	Jan Huff - $125
Robin Lanier - $125	

We propose at the close of twelve months to review and revise our agreement based on needs identified at the time.

OUR PROPOSAL TO TRI-STAR ADVISORS, LLC:

ALL ABOVE SERVICES, EXCEPT ADDITIONAL CONSULTING, TO BE INCLUDED FOR A TOTAL OF $16,950 ARE PAYABLE AS FOLLOWS: $4237.50 QUARTERLY.

WE ACCEPT THE ABOVE PROPOSAL.

SIGNATURE

1-19-10
DATE

FEES RECEIVED MORE THAN 30 DAYS AFTER DUE DATE MAY RESULT IN CANCELLATION OF THE SERVICE AGREEMENT. THE ADVISOR'S RESOURCE WILL NOT REMIT FEES FOR UNUSED HOURS AT CLOSE OF YEAR IF CLIENT DOES NOT USE ALL PREPAID TIME. EXPIRATION DATE FOR AGREEMENT: DECEMBER 2010.

SUPPORT FOR A FULL SEC EXAM OR OTHER WORK REQUIRED BEYOND THAT OUTLINED ABOVE WOULD BE ADDITIONAL TO THIS FEE AND WILL BE CHARGED ON AN HOURLY BASIS.

Thank you and we look forward to continuing as your compliance partner.

Exhibit 4

TheAdvisor'sResource
Your Compliance Partner +

Proposal and Scope of Work
for
Tri-Star Advisors, Inc.
January 24, 2011

Tri-Star Advisors, Inc. needs:

1. To upgrade and maintain an effective compliance program for an SEC-registered investment advisory business.
2. Ongoing support for its investment advisor compliance program through January of 2012 to position the firm for considerable growth and to have a "successful" SEC examination.

The Advisor's Resource, Inc. proposes the following:

SCHEDULED CALLS/VISITS TO REVIEW THE SEC DOCUMENT REQUEST LIST AND TESTING

- Prescheduled one-hour conference calls two months of each quarter to work with the CCO beginning February 2011
- Four onsite quarterly visits for two to three hours with one or two consultants to review monthly tests, discuss ongoing compliance issues and prepare for an SEC exam by using the most recent SEC document request list, which will be divided into monthly tasks.

Deliverables: Spreadsheet detailing the SEC document request list, stating where files are located, person responsible for data, etc.

POLICIES AND PROCEDURES MANUAL MAINTENANCE, INCLUDING CODE OF ETHICS

- Policies and procedures manual, including Code of Ethics, updated to ensure that any new regulations and client changes are incorporated

ANNUAL REVIEW CREATED FOR 2011 BY JANUARY 2012

- Documents reviewed prior to onsite visit
- Onsite visit to discuss and review program changes during the year
- Written reports created

Deliverables: Written Annual Review Report
Risk Assessment Document

ANNUAL MAINTENANCE (WE NEED YOUR DATA BY FEBRUARY 15 OR THE PRICE INCREASES $500)

- Periodic emails regarding developments in SEC regulations and exams
- Annual ADV Amendment Part 1 and posting of new ADV Part 2A to the IARD system (March)
- Annual reminder and tracking of payment for renewing SEC registration (March)
- Annual reminder and tracking of payment for renewing State registration (November)
- Reminder for delivery of Privacy Policy and new Form ADV 2A and 2B to all clients

PRE-PAID PACKAGE OF CONSULTING TIME

- Prepaid time to consult on various compliance matters; the following items are likely to exceed the prepaid allowance:
  - SEC exam
  - Change in CCO
  - Merger
  - Change in partnership
  - Responding to a deficiency letter
- Exceptions, travel time or extra trips charged hourly at the following rates

HOURLY CONSULTING RATES

Additional consulting for special projects beyond those outlined above will be charged on an hourly rate as outlined below.

Linda Shirkey - $225
Monica Blanco - $130
Jan Huff - $130

We propose at the close of twelve months to review and revise our agreement based on needs identified at the time.

OUR PROPOSAL TO TRI-STAR ADVISORS, INC.:

ALL ABOVE SERVICES, EXCEPT ADDITIONAL CONSULTING, TO BE INCLUDED FOR A TOTAL OF $12,000 ARE PAYABLE AS FOLLOWS: $3000 DUE IMMEDIATELY, $3000 DUE QUARTERLY.

WE ACCEPT THE ABOVE PROPOSAL.

_____ _____

SIGNATURE DATE

FEES RECEIVED MORE THAN 30 DAYS AFTER DUE DATE MAY RESULT IN CANCELLATION OF THE SERVICE AGREEMENT. THE ADVISOR'S RESOURCE WILL NOT REMIT FEES FOR UNUSED HOURS AT CLOSE OF YEAR IF CLIENT DOES NOT USE ALL PREPAID TIME. EXPIRATION DATE FOR AGREEMENT: JANUARY 2012.

SUPPORT FOR A FULL SEC EXAM OR OTHER WORK REQUIRED BEYOND THAT OUTLINED ABOVE WOULD BE ADDITIONAL TO THIS FEE AND WILL BE CHARGED ON AN HOURLY BASIS.

Thank you and we look forward to becoming your compliance partner +.

ANNUAL MAINTENANCE (WE NEED YOUR DATA BY FEBRUARY 15 OR THE PRICE INCREASES $500)

- Periodic emails regarding developments in SEC regulations and exams
- Annual ADV Amendment Part 1 and posting of new ADV Part 2A to the IARD system (March)
- Annual reminder and tracking of payment for renewing SEC registration (March)
- Annual reminder and tracking of payment for renewing State registration (November)
- Reminder for delivery of Privacy Policy and new Form ADV 2A and 2B to all clients

PRE-PAID PACKAGE OF CONSULTING TIME

- Prepaid time to consult on various compliance matters; the following items are likely to exceed the prepaid allowance:
  - SEC exam
  - Change in CCO
  - Merger
  - Change in partnership
  - Responding to a deficiency letter
- Exceptions, travel time or extra trips charged hourly at the following rates

HOURLY CONSULTING RATES

Additional consulting for special projects beyond those outlined above will be charged on an hourly rate as outlined below.

Linda Shirkey - $225
Monica Blanco - $130
Jan Huff - $130

We propose at the close of twelve months to review and revise our agreement based on needs identified at the time.

OUR PROPOSAL TO TRI-STAR ADVISORS, INC.:

ALL ABOVE SERVICES, EXCEPT ADDITIONAL CONSULTING, TO BE INCLUDED FOR A TOTAL OF **$12,000** ARE PAYABLE AS FOLLOWS: $3000 DUE IMMEDIATELY, **$3000** DUE QUARTERLY.

WE ACCEPT THE ABOVE PROPOSAL.

SIGNATURE — DATE 1/25/11

1/25/11

2617C West Holcombe Blvd. #522 • Houston, TX 77025 • 281.298.7015(ph) • 832.553.7691(fax)
www.theadvisorsresource.com

Exhibit 5

TheAdvisor'sResource
Your Compliance Partner +

AGREEMENT FOR COMPLIANCE SERVICES

This AGREEMENT ("Agreement") made on January 24, 2011, between:

Tri-Star Advisors, Inc.
5718 Westheimer, Suite 950
Houston, Texas 77057 ("Adviser" or "Client")

And

The Advisor's Resource, Inc.
2617C West Holcombe Blvd. #522
Houston, Texas 77025 ("Consultant")

RECITALS

Adviser is engaged in or planning to engag e in the business of

X financial planning
X investment management
_____ hedge fund management
_____ other

and has its principal place of business at the above address.

Adviser desires to engage the services of the Consultant, as an independent contractor and not as an employee, to assist in the project as defined in Terms and Services and to render services to Adviser on the terms and conditions provided in this Agreement.

Consultant is a compliance consultant with a background in compliance, registration, marketing and administration of investment advisers registered with the United States Securities and Exchange Commission and/or state regulatory authorities responsible for the regulation of investment advisers. Consultant desires to render professional compliance consulting services for Adviser on the terms and conditions provided in this Agreement.

THEREFORE, Adviser engages the services of Consultant upon the terms and conditions set forth herein. In consideration of the mutual promises contained in this Agreement, the parties agree as follows:

I. SERVICES

Consultant will provide assistance as needed and/or as outlined below to Adviser:

X	Annual maintenance service
	Registration with appropriate authorities
X	Annual Review
	Conduct on-site "Mock Exam"
	Set up compliance program for Adviser
X	Update policies and procedures manual/Code of Ethics
	Assist in preparation for examination by regulators
	Assist in responding to deficiency letter from regulators
	Assist with business strategy issues
	Train or oversee staff using IARD system
X	Ongoing compliance consulting and onsite visit
X	Design/schedule program to prepare for SEC exam
	Other:
X	Additional work requested will be charged hourly

II. USE OF AGENTS OR ASSISTANTS

Consultant is authorized to engage the services of Linda Shirkey, Monica Blanco, Jan Huff or other agents, assistants, persons or corporations that Consultant determines proper to aid or assist in the proper performance of duties. Ms. Shirkey's work on Client's behalf will be charged at the rate of $225/hour. Ms. Blanco's and Ms. Huff's work on Client's behalf will be charged at the rate of $130/hour. Fees for other services will be agreed to at the time their services are engaged by The Advisor's Resource, Inc. Hourly rates for each of the above-mentioned persons are subject to change without notice.

III. FACILITIES

Consultant will furnish all facilities and equipment that may be necessary to perform services required under this Agreement.

IV. FEES

X	Hourly rates as shown above on Section II
	Fixed fee for project as outlined in proposal
X	As Per Attached Proposal dated January 24, 2011
	Other:

Fees are due and payable immediately by Adviser upon presentation of an invoice. Fees more than 30 days late will accrue interest at the rate of 1.5% per month. Adviser is responsible for all fees and filing fees, including IARD filing fees.

The Advisor's Resource, Inc., will charge fixed fees for various services, including, but not limited to, manuals, compliance setup materials, mock examinations or other defined services. The Advisor's Resource, Inc., may change hourly rates with 30 days' written notice. *Work beyond that outlined in the pro posal will be charged at the hourly rates in effect at the time the work is requested.*

Emergency rates, in which Client requires Consultant to work with 24 hours' or less notice, on weekends or on market holidays, will be charged at twice the Consultant's or agent's hourly rate.

Travel time outside of Houston, Texas, will be reimbursed at the hourly rate of the traveling personnel for a maximum of 4 hours per day.

V. EXPENSE REIMBURSEMENT

Expenses incurred by Consultant on Adviser's behalf, or directly as a result of work conducted for Adviser, will be charged to Adviser. Adviser agrees to pay delivery, parking, travel and associated moderate meal charges when Consultant must travel to see Adviser. All such expenses will be fully documented.

VI. DEVOTION OF TIME

Consultant will devote the time that is reasonably necessary for a satisfactory performance of Consultant's duties under this Agreement. If Adviser requires additional services not included under this Agreem ent, Consultant will make a reasonable effort to fit those additional services into Consultant's time schedule without decreasing the effectiveness of performance of duties required under this Agreement. However, the availability of additional services is subject to the provisions for additional fees for additional services as discussed in Section IV, above.

VII. CONFIDENTIALITY

Consultant agrees to keep confidential all matters concerning the working relationship with Adviser, the Adviser's business information and any information relating to Adviser's clients. Consultant will shred waste paper relating to Advis er. Adviser further acknowledges and agrees that any work produced by Consultant in the course of performing Consultant's duties under this Agreement is the work product of Consultant and that Adviser will not divulge, disclose or disseminate any such work product without the explicit written agreement to do so by the Consultant.

VIII. ADVISER'S RESPONSIBILITIES

Adviser agrees to provide Consultant with requested information promptly and completely. Adviser further agrees to promptly review all documents provided by The Advisor's Resource, Inc., and to indem nify Consultant for incorrect information provided by Adviser and submitted on filings. Adviser will respond in a timely manner to all proposed filing materials, policies or manuals prepared by Consultant. Adviser will make every effort to follow applicable securities laws and regulations. Adv iser will make appropriate personnel available to Consultant to facilitate Consultant's work. Adviser will maintain copies of all documents filed on Adviser's behalf.

Adviser acknowledges fully that Adviser is ultimately responsible for any and all documentation filed on Adviser's behalf with any governmental entity, whether state, federal or otherwise. Adviser, by its execution hereof, indemnifies, defends and holds Consultant harmless from and against any claims, actions or demands that may result from any false, misleading or inaccurate information which is received from Adviser by Consultant.

Adviser further acknowledges that it will hold The Advisor's Resource, Inc., harmless for any of its actions in the performance of this Agreement except those acts which may be deemed gross negligence or intentional acts.

IX. TERMINATION

This Agreement may be terminated by either party immediately upon receipt of written notice by email, FAX or letter. Prepaid unearned fees will be refunded to Adviser upon termination of the Agreement, excluding out-of-pocket expenses and nonrefundable $500 Consultant Engagement fee. Adviser agrees to remit Consultant for time expended to date of termination immediately upon receipt of an invoice. Consultant may terminate this Agreement if fees are not received within 45 days of mail date of invoices.

This Agreement remains in effect until terminated by either party.

X. ALTERNATIVE DISPUTE RESOLUTION

All disputes that may arise between the parties regarding the interpretation or application of this contract and its legal effect must, to the exclusion of any court of law, first be mediated unless the parties can resolve the dispute by mutual agreement. In the event mediation becomes necessary, the parties will make good faith efforts to select a mutually agreeable mediator. In the event no such agreement on a mediator can be reached, the matter will be mediated through a panel of mediators, with each party choosing one mediator, then those two selected mediators shall choose the third mediator. In the event the parties cannot come to a resolution through mediation, then the matter in dispute shall be arbitrated by an arbitrator mutually agreed upon by the parties. In the event the parties cannot agree on an arbitrator, then each party shall select one arbitrator and those two selected arbitrators shall select a third arbitrator, and the matter in dispute shall be resolved by a panel of arbitrators so selected. Either party may submit any dispute to mediation 30 days after the other party has been notified as to the nature of the dispute. The procedures will be governed by the rules selected by the panel of arbitrators or mediators or the sole mediator or arbitrator. The proceedings will be governed by the statutes of the State of Texas, and the proceeding will be held in the city in that state where Consultant's principal office is located. Any such arbitration decision shall be binding on the parties. The sole arbitrator or panel of arbitrators, if any, may award the winning party necessary costs of mediation and/or arbitration, including, but not limited to, reasonable attorney's fees.

XI. WAIVER OF RIGHT

The failure of either party to enforce any provisions of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel compliance with any other provision in this Agreement.

XII. ENTIRE AGREEMENT

This Agreement constitutes the sole and only agreement of the parties and supersedes any prior understanding or written or oral agreements between the parties respecting this subject matter.

The parties acknowledge that the following items, and the terms stated therein, are incorporated into this Agreement and are made a part hereof for all purposes:

Item No. 1: Proposal dated January 24, 2011

XIII. ASSIGNMENT

Neither this Agreement nor any duties or obligations may be assigned by Consultant without the prior written consent of Adviser, which written consent shall not be unreasonably withheld. In the event of an assignment by a party to which the other has consented, the assignee or the assignee's legal representative must agree in writing with the non-assigning party to assume, perform and be bound by all provisions of this Agreement.

XIV. SUCCESSOR AND ASSIGNS

Subject to the provisions regarding assignment, this Agreement is binding on and inures to the benefit of the parties to it and their respective heirs, executors, administrators, legal representatives, successors and assigns.

XV. GOVERNING LAW

This Agreement and the rights and duties of the parties under it are governed by the laws of the State of Texas, without giving effect to any rules governing the conflict of laws.

XVI. AMENDMENT

This Agreement may be amended by the mutual agreement of the parties to it, in writing to be attached to and incorporated in this Agreement.

XVII. LEGAL CONSTRUCTION

In the event that any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, that invalidity, illegality or unenforceability will not affect any other provisions, and the Agreement will be construed as if the invalid, illegal or unenforceable provision had never been contained in it.

Executed at Houston, TX, on _____ [date].

Client: Tri-Star Advisors, Inc.

By: _____
Kelly Durham, CCO

Consultant: The Advisor's Resource, Inc.

By: _____
Linda Shirkey, President

Executed at Houston, TX, on January 25, 2011 [date].

Client: Tri-Star Advisors, Inc.

By: _____
Kelly Durham, CCO

_____
Jon Vaughan

Consultant: The Advisor's Resource, Inc.

By: _____
Linda Shirkey, President

Exhibit 6

TRI-STAR ADVISORS, INC.
ANNUAL REVIEW, 2010

FIRM OVERVIEW

Tri-Star Advisors, Inc. ("TSA" or "Firm"), which had approximately $140 million under management on 12/31/2010, is related to a broker/dealer firm, Tri-Star Financial, that trades fixed income instruments, with significant investments in CMOs. The Firm manages assets for clients by trading through its broker/dealer and hires sub-advisors to manage equity portions of balanced portfolios. This was the first full year of operation for the Firm, which was established in the final quarter of 2009.

METHOD OF REVIEW

Review conducted by: The Advisor's Resource, Inc. The review was conducted January 25, 2011, and covered the period January 2010-December 2010.

Method of review and documentation: The Advisor's Resource, Inc. ("TARI") reviewed TSA's books and records, compliance materials and client correspondence for 2010, as required by Rule 206(4)-7 of the Investment Advisers Act of 1940 ("Advisers Act"). The review also included an onsite visit with Kelly Durham.

CHANGES IN THE REVIEW PERIOD

A sub-advisor relationship was established to enable the firm to offer equity management to its clients requiring balanced portfolios.

Personnel Changes:

The Chief Compliance Officer position went through significant change in the initial year, but has since stabilized. Marcel Theriot, the president and managing director of Tri-Star Advisors, left the Firm on August 5, 2010.

ANNUAL REQUIREMENTS

Date Privacy Policy was given to clients: When accounts were opened

Date clients received Form ADV: When accounts were opened

Date best execution reviews were held and documented: December 2010

Date Form ADV I was last amended: August 18, 2010

Date of latest revision of Form ADV Part II: August 17, 2010

Date last annual review was conducted: This is TSA's first annual review.

MATERIAL REVIEWED; FINDINGS AND RECOMMENDATIONS FOR EACH

THE CODE OF ETHICS UPDATES/BREACHES; POLICIES & PROCEDURES MANUAL UPDATES

Findings:

- The personal trading policy was reviewed and revised as a result of this review. Pre-clearance requirements in the original trading policy had not been used, so the policy (and summary table) was revised to reflect actual practice of the firm. Personal trades were reviewed as required, and it was determined that no clients had been negatively affected as a result of the lack of pre-clearance. (See attached updated Code of Ethics.)

- Several sections of the manual were not updated to reflect changes that occurred with the Firm.

Regulatory Recommendations:

- Update the manual to include discussion of the pay to play rule and add language regarding the sub-advisor arrangement and how it will be monitored.

- All Firm personnel should annually sign the Code of Ethics/policies and procedures acknowledgement page.

Best Practice Recommendations:

- Review the personal trading policy in June 2011 to ensure that it in fact works to minimize potential conflicts with client trades, as well as to ensure that current procedures are in compliance with the policy.

- Review a manual section each month to ensure the policy reflects current business practices. Make changes appropriately.

ADVERTISING; MARKETING; DISCLOSURE DOCUMENTS; PERFORMANCE

Findings:

- The new Form ADV 2A and 2B have been drafted by The Advisor's Resource and are being reviewed by Firm personnel. It will be completed and ready for submission to the IARD as required by March 31, 2011, and will be mailed to all clients thereafter.

- TSA sends clients (and prospects?) a monthly newsletter, which is generic and covers economic news from a macro level. No specific investment recommendations were made or discussed.

- Two principals of the Firm participate in a daily radio show which runs for an hour or two. Topics include general market and news commentary, and listeners are allowed to call in. Both TSA and Tri Star Financial are mentioned as sponsors of the

show. The CCO monitors the radio show on a periodic basis to ensure advertising rules are followed.

- Tri Star Financial markets through seminars, which occasionally surface potential clients for TSA.

Regulatory Recommendations:

- Add insurance information to Form ADV 2A and 2B.
- Add sub-advisor language to Form ADV 2A.

Best Practice Recommendations:

- Prepare a "cheat sheet" for the TSA personnel participating in the radio show as to "Do's and Don'ts."
- Review any disclaimers made on the show.

ALLOCATION OF INVESTMENT OPPORTUNITIES; VALUATION; TRADING AND TRADE ERRORS; BEST EXECUTION

Findings:

- The original tests for best execution were found to be weak, as the Firm trades in fixed income instruments.
- There were no trade errors during the review period.
- It was unclear as to whether principal trades have been effected by the broker/dealer for TSA clients. *Kelly to confirm.*

Best Practice Recommendations:

- The Advisor's Resource recommends two level of tests in the future for best execution: 1) compare prices for a bond offered to clients through the related broker/dealer with those from a third party; 2) compare markups on bonds across Firm IARs to ensure that one IAR is not consistently marking bonds significantly higher than other IARs.

ANTI-MONEY LAUNDERING

Findings:

- Custodians conduct anti-money laundering tests for new clients and monitor account activity for potential money laundering.

No Recommendations

BOOKS AND RECORDS; CLIENT AND INVESTOR FILES; COMPLAINTS FROM CLIENTS/INVESTORS

Findings:

- There were no formal client complaints during the review period.
- No clients terminated their relationships with TSA during 2010.
- Of the client files that were reviewed, one file was missing the client agreement and several files were missing required signatures. Some clients' quarterly update forms were incomplete.

Regulatory Recommendations:

- Conduct an audit of all client files, making sure all client files are up to date and all agreements have required signatures.

Best Practice Recommendations:

- Consider establishing a procedure for reviewing each new client file to ensure all signatures are in place before the first fees are charged, or before trades are placed in a client's account.

CCO TRAINING

Findings:

- The Firm's CCO attended a one-day seminar for CCOs in April which focused on the new custody rule.

Best Practice Recommendations:

- The Firm may want to send the CCO to the NSCP regional conference in Dallas on April 11 and 12, 2011.
- The CCO might also consider attending and participating in the quarterly local "compliance roundtable."

CONFLICTS OF INTEREST

Findings

- TSA has an affiliated broker/dealer through which the fixed income securities recommended for Firm clients are purchased. IARs mark up the individual bonds, with bonds purchased in blocks as appropriate and all clients receiving the same price.
- TSA also offers insurance products through Texas Annuity Group. These insurance transactions generate compensation to the selling individual in the form of commissions which presents a material conflict of interest with TSA clients.

Regulatory Recommendations:

- Check the revised Form ADV 2A to ensure appropriate language is included regarding receipt of markups and investment management fees and insurance offerings.
- Ensure that the new ADV 2A has adequate language concerning the IARs marking up the bonds in addition to the TSA investment management fee being charged on the same assets.
- Review the Form ADV 2B as well for discussion of additional compensation from insurance sales.

Best Practice Recommendations:

- Consider strengthening the language in the new Form ADV 2A regarding competitive pricing for fixed income issues.

CUSTODY

Findings:

- The policies and procedures for TSA were reviewed in light of the new custody rule.
- The affiliated broker/dealer does not hold client assets, nor receives securities for deposit with the custodian.
- Testing on a spot basis confirmed that clients are receiving custodial statements directly from their account custodian.

No Recommendations

DISASTER RECOVERY/BUSINESS CONTINUITY

Findings:

- The disaster recovery plan was not updated to reflect current employee status.
- The disaster recovery plan was tested in November and there were no issues.

Regulatory Recommendations:

- Update the disaster recovery plan with every change in personnel.

Best Practice Recommendations:

- Consider adding "business continuity" to the Firm's website, listing addresses and phone numbers of relocation, so clients will know how to contact the Firm in case of a disaster.

FEES AND FIRM FINANCIALS

Findings:

- Firm financials were provided for the past three months, including trial balances. The Firm appears to be in a positive net worth position with adequate working capital. There are no long-term liabilities, with the only short-term liabilities being payables for management fee and staff salaries.

- Fee calculations were spot-checked, and there were no issues.

No Recommendations

NEW PRODUCTS OR STRATEGIES LAUNCHED

Findings:

- A new sub-advisor relationship was initiated in 2010, providing TSA with access to equity management for its clients requiring balanced portfolios.

No Recommendations

PRIVACY

Findings:

- Only new clients received TSA's privacy policy in 2010; no clients obtained by TSA in 2009 received the policy in 2010.

Regulatory Recommendations:

- Ensure that all clients receive TSA's privacy policy in 2011, in addition to all new clients obtained in 2011.

PROXY VOTING

Findings:

- TSA does not vote proxies for its clients.

No Recommendations

REGISTRATION AND RENEWALS

Findings:

- TSA paid its state renewal fees as required at the close of 2010 for 2011.

Regulatory Recommendations:

- The SEC is requiring renewal fees with the submission of the ADV 1 amendment in 2011.

RISK ASSESSMENT

Findings:

- A separate risk assessment file is attached.

Best Practice Recommendations:

- Address any medium or high risks.

SERVICE PROVIDER DUE DILIGENCE

Findings:

- Custodian relationships were reviewed in terms of financial stability in the initial quarter of the year.
- The Form ADV Parts 1 and 2 and the sub-advisor agreement for the sub-advisor were reviewed both by TSA personnel and by The Advisor's Resource.

No Recommendations

TESTING

Findings:

- TSA initiated a testing program in 2010, which will be continued on an ongoing basis.

Best Practice Recommendations:

- Increase frequency of best execution testing to quarterly during 2011.
- Review manual sections throughout the year as scheduled on the testing calendar, making necessary changes.

NEW REGULATIONS IN 2010

- New Form ADV 2A and 2B are required to be implemented and distributed to all clients in 2011 by May 31. The new Form 2A will be uploaded to the IARD system by March 31, 2011, with the annual amendment of the Form ADV Part 1.
- Requirements for SEC registration have increased to firms with over $100 million under management. TSA clearly exceeds this requirement, so will not have to change its registration to the state level.
- Changes to the custody rule were enacted.

NEW REGULATIONS PENDING IN 2011

- Changes to Regulation S-P pertaining to protecting client information and Anti-Money Laundering regulations may be enacted.

- States appear to become more vigilant regarding protection of client private information. Massachusetts and Nevada have passed more stringent privacy rules. It will become increasingly important to monitor such rules in light of TSA clients living out of state.

- The Financial Reform Act is continuing to generate new studies and new proposed rules. It is likely additional rule changes will occur during 2011.

SCOPE OF REVIEW

This was a preliminary compliance review of Tri-Star Advisors, Inc. Due to the time and economic constraints involved, we were unable to look at every file and every document related to TSA's business. We look forward to assisting Ms. Durham to address those areas where we have recommended action.

Sincerely,

Linda A. Shirkey and Jan Huff
The Advisor's Resource, Inc., Your Compliance Partner +

Date: February 15, 2011

Tri-Star Advisors, Inc. Risk Assessment 2010

Risk Category	Potential or Actual Risk	Advisor's Risk	Mitigated?	Reg. or Best Practice?	P&P Manual Location	Comments
Advertising	Performance Numbers gross of fees	Lo				TSA does not advertise performance numbers.
Advertising	Use of testimonials	Lo				
Advertising	Selective list of positions/purchases	Lo				
Advertising	Guarantee of profits or gains	Lo				
Advertising	SEC registration highlighted	Lo				
Advertising	Radio show does not comply with advertising rules	Med	Somewhat			CCO spot checks radio show. Suggest to make "Do's and Don'ts" cheat sheet for TSA participants.
Advertising	Disclaimers are inadequate	Lo				
Advisory Agreement	Assignment is allowed	Lo				
Advisory Agreement	Hedge clause is included	Lo				
Advisory Agreement	No receipt of ADV Part II and Privacy Policy	Lo				
Advisory Agreement	Does not sync with ADV	Lo				
Advisory Agreement	Compensation is not fully disclosed	Lo				
Advisory Agreement	Language is missing re notice of termination	Lo				
Advisory Agreement	Contains full power of attorney language	Lo				
Affiliates	Inadequately disclosed on ADV, U-4s	Lo				
Affiliates	Conflicts are not fully disclosed	Med				May want to strengthen language in new ADV form regarding receipt of double fees.
Affiliates	Principal trades to cherry pick or dump	Lo				
Affiliates	Trades thru own broker/dealer to generate transaction revenue	High				CCO to conduct spot-checks of best execution from TSA to other broker/dealers, and across TSA brokers.
Anti-Money Laundering	Inadequate measures in place	Lo				
Anti-Money Laundering	Does not review custodian/prime broker's practices	Lo				
Annual Review	Compliance program is not in operation	Lo				
Annual Review	Policies and procedures do not match practices	Lo				
Annual Review	Not conducted and documented as required	Lo				
Best Execution	Practice is not discussed on ADV	Lo				
Best Execution	Inadequate measures in place	Med				Procedures for monitoring are strengthening in 2011. Discussion occuring to eliminate both markup and IA fee on same asset.
Best Execution	Brokers are favored due to research, referrals	Lo				
Books and Records	Inadequately retained	Lo				
Books and Records	Performance backup data is not retained	Lo				TSA uses Advent to calculate performance numbers.
Books and Records	Trade confirmations are not retained	Lo				
Books and Records	Trade Log is not in place	Lo				
Books and Records	Electronic data is not protected	Lo				
Books and Records	Versions of COE and/or polices and procedures are not retained	Lo				
Books and Records	Data does not sync with that provided by custodians	Lo				Spot check of account valuations was undertaken in the annual review. Not all client records were reviewed.
Books and Records	Emails are not retained and retrievable	Lo				

Risk Category	Potential or Actual Risk	Advisor's Risk	Mitigated?	Reg. or Best Practice?	P&P Manual Location	Comments
Business Continuity						
Business Continuity	Inadequate or no plan in place	Lo				
Business Continuity	Inadequate or no succession plan	Med				
Client/Investor Intake						
Client/Investor Intake	Package does not include ADV II and Privacy Policy	Lo				
Client/Investor Intake	Inadequate data collected for suitability	Lo				A few spot checked files contained forms that were not completed, although all appeared to have at least partially completed questionnaire
Client/Investor Intake	Investment policy statements are not in place for sep. accounts	Med	Yes			The plan was for TSA to implement use of an IPS. Now the Firm has decided to complete the client questionnaire.
Client/Investor Intake	Information is not gathered for anti-money laundering	Lo				
Code of Ethics						
Code of Ethics	Does not require preapproval for IPOs and private placements	Lo				
Code of Ethics	Fails to outline personal trading policy and procedures	Lo				
Code of Ethics	Does not address personal trading on inside information	Lo				
Code of Ethics	Fails to discuss both firm inside info and market inside info	Lo				
Code of Ethics	Not required to be signed by all personnel	Lo				
Code of Ethics	Failure to document breaches, changes	Lo				
Code of Ethics	Personal trading policy does not adequately address conflicts	Lo				
Code of Ethics	Personal trade records are not maintained	Lo				Personnel should annually attest that they have not and will not purchase IPOs or private placements without receiving pre-approval.
Compliance						
Conflicts of Interest						
Conflicts of Interest	Insurance sales	High	No			Needs to be disclosed on new Form ADV.
Conflicts of Interest	Portfolio manager is also a registered representative	High	Somewhat			
Conflicts of Interest	Outside business interests of employees exist	Lo				
Conflicts of Interest	Personal trades do not follow policy	Med				Policy is being changed in 2011. Pre-approvals required in 2010 were not requested.
Corporate Records						
Corporate Records	Annual minutes are not current	?				
Corporate Records	Records are not located in office	?				
Custody						
Custody	Related broker/dealer accepts funds or securities	Lo				
Disaster Recovery						
Disaster Recovery	Alternate site is not identified	Lo				
Disaster Recovery	Just IT plan	Lo				
Disaster Recovery	No list of numbers, contacts for staff, vendors, clients	Lo				
Disaster Recovery	Not tested	Lo				
Disclosures						
Disclosures	Money market funds - double fees are not disclosed	Med?				
Disclosures	Best Execution is not discussed on ADV II	Lo				
Disclosures	Custodial Relationship is not disclosed	Lo				
Disclosures	Major conflicts are not disclosed	Lo				Need to add language to current ADV regarding insurance sales and use of sub-advisor
Disclosures	Failure to disclose fees taken from accounts	Lo				
Due Diligence						
Due Diligence	Process for investments - Not documented	Lo				
Due Diligence	Process for investments - Not followed	Lo				
Due Diligence	Third-party providers are not checked in terms of privacy, other	Lo				

Risk Category	Potential or Actual Risk	Advisor's Risk	Mitigated?	Reg. or Best Practice?	P&P Manual Location	Comments
Due Diligence	Third-party providers are not reviewed for financial stability	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Electronic Data	Inadequately backed up	Lo				
Electronic Data	Not secure from tampering, destruction	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Email	Not retained or producible	Lo				
Email	Not tested periodically	Lo				Tests for 2011 are being specified in terms of search words and how to conduct email tests.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fees	Not disclosed on ADV	Lo				
Fees	Client Agreement does not show exact amount	Lo				
Fees	Calculations are incorrect, not checked	Lo				
Fees/Disclosure	Fees ≥ 3% are not disclosed	Med				Disclosures on ADV need to be strengthened to cover payment of markups and IA fee on same asset.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insider Trading	Policy is not in place	Lo				
Insider Trading	Personnel have access to info	Lo				
Insider Trading	Procedures are inadequate	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Internal Controls	Staff is not cross trained	Lo				
Internal Controls	Supervision is inadequate	Lo				
Internal Controls	Inadequate controls of client information	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment Processes	Allocation of opportunities not done equitably	Lo				
Investment Processes	Risk management is inadequate	Lo				
Investment Processes	Disciplined due diligence is inadequate	Lo				
Investment Processes	Supervision of sub advisors is inadequate	Lo				Sub-advisor relationship was put in place midway through 2010.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Performance	Historical numbers do not have backup data	Lo				
Performance	Calculations are not checked	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portfolio Management	Suitability - Not established at onset of relationship	Lo				
Portfolio Management	Allocation of limited opportunities is not equitable	Lo				
Portfolio Management	Objectives are not kept current and communicated clearly	Lo				
Portfolio Management	Client instructions are not followed	Lo				
Portfolio Management	Restrictions are not monitored	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privacy	Policy is not mailed to clients annually	Med	Yes			Policy was not mailed to any clients obtained in 2009, however it is always available on TSA's website www.tristaradvisor.com and many clients opened additional accounts in 2010 at which time they were given a new ADV and Privacy Policy. Ensure that goes to all clients in 2011 with new Form ADV 2A and 2B by May 31.
Privacy	Desktops and laptops are not password protected	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Risk Category	Potential or Actual Risk	Advisor's Risk	Mitigated?	Reg. or Best Practice?	P&P Manual Location	Comments
Proxy Voting	Not discussed on ADV	Lo				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trading		Lo				
Trading/Disclosures	Block pricing is not discussed on ADV	Lo				
Trading/Disclosures	Employee participation in blocks is not discussed	Lo				
Trading/Manual	Allocation of partial bills is not discussed in manual	Lo				
Trading	Trade tickets are not complete	Lo				
Trading	Special brokerage arrangements are in place	High	Somewhat			
Trading	Trades are placed based on knowledge of other trades	Lo				
Trading	Trade errors - Who pays is not disclosed	Lo				
Trading/Manual	Mutual fund late trading/timing is not covered in manual	Lo				
Trading/Manual	Cross trades are allowed between clients and are not disclosed	Lo				
Valuation						
Valuation	Method of valuing private issues/thinly traded issues is not disclosed	???				Not on ADV?

Exhibit 7

TRI-STAR ADVISORS INC.
REGULATORY FILINGS AND REQUIRED CLIENT NOTICES
POLICIES AND PROCEDURES

INTRODUCTION

Tri-Star Advisors Inc. ("TSA" or "Firm") is subject to various federal and state securities laws by virtue of its activities as an investment adviser.

REQUIRED REGULATORY FILINGS

a. General Policy

It is TSA's policy to comply with such laws by making all filings with government authorities and all deliveries to its clients required thereby in a timely fashion. All of such filings and delivered documents shall be complete, true and accurate in all respects.

- The Chief Compliance Officer ("CCO") will review each filing or document to be delivered prior to its delivery to the relevant regulator or client.
- The CCO is responsible for seeing that all filings are completed in a timely manner.
- The CCO will also be responsible for ensuring that a copy of each filing and delivered document is maintained with the books and records of TSA.

Following is a list of mandatory filings:

(1) Form ADV, Parts I and II and Amendments

(2) U-4s

(3) State Registrations

For TSA: ADV Part I

For Investment Advisor Representatives: U-4

(4) Form 13 Filings – based on equity holdings

b. Procedures

The CCO will develop and maintain a calendar of when filings are due and will monitor portfolio holdings and new clients to determine when additional filings are required. The CCO will review required filings with counsel or outside compliance consultants on an annual basis for the first two years of conducting business.

REQUIRED CLIENT NOTICES

a. General Policy

TSA will meet all requirements for notices to clients.

These notices include:

At onset of relationship

- ADV II (including Schedule F)
- Privacy policy

Annually thereafter

- Written offer of Form ADV II or copy of Form ADV II (including Schedule F)
- Privacy policy

b. Procedures

The CCO will be responsible for monitoring and spot checking to be sure all such notices are sent to all clients. Each mailing must have a transmittal letter mentioning the attached or enclosed required document. These transmittal letters will be maintained by the CCO in TSA's compliance files.

APPENDIX

REGULATORY FILING AND DOCUMENT DELIVERY REQUIREMENTS

FILING/DELIVERY REQUIREMENTS AND DEADLINES		RESPONSIBLE PERSON
Equity Ownership - 5% or more of a Public Company:		
File within **10 days** after TSA acquires "beneficial ownership" of 5% or more of a class of securities, *but only if* acquisition (i) is not in the course of investment management activities or (ii) is made with the purpose of or with the effect of changing or influencing the control of the issuer. *The same requirement applies to relevant clients.*	**Schedule 13D**	Kelly Durham
*As to any relevant client, to be filed within **10 days** after the client acquires 5% or more of a class of securities.*	**Schedule 13G**	Kelly Durham
File **promptly** after any *material* change in the information reported in the Schedule 13D, including an acquisition or disposition of 1% or more of the relevant class of securities. *The same requirement applies to relevant clients.*	**Schedule 13D Amendments**	Kelly Durham
If TSA first became a 5% or greater "beneficial owner" of a class of securities during the year *and* still has 5% or more beneficial ownership at year-end, file within **45 days after the end of the year** (unless initially filed during the calendar year on the basis of attaining 10% ownership).	**Schedule 13G**	Kelly Durham
If there were any changes during a year relating to information previously filed, file within **45 days after the end of such year.** *The same requirement applies to relevant clients.*	**Schedule 13G Amendments**	Kelly Durham
Equity Holdings - 10% or more of a Public Company:		
If TSA acquires "beneficial ownership" of more than 10% or more of a class of securities, file within **10 days**.	**Form 3**	Kelly Durham
*As to any relevant client, to be filed **promptly** after the client's ownership of a class of securities (i) exceeds 10% of the class or (ii) otherwise increases or decreases by 5%.*	**Schedule 13G Amendments**	Kelly Durham

If TSA "beneficially owns" 10% or more of a class of securities, file within **2 days** after a change in that ownership.	**Form 4**	Kelly Durham
If TSA first became a 10% "beneficial" owner of a class of securities during the month, file within **10 days after the end of the month.**	**Schedule 13G**	Kelly Durham
If TSA beneficially held 10% of a class of securities at the beginning of the month and its beneficial ownership increased or decreased by more than 5% during the month, file within **10 days after the end of the month.** (Once TSA's beneficial ownership drops below 5% and an amendment has been filed reflecting that, no further amendment need be filed unless TSA's beneficial ownership again becomes 5% or greater.)	**Schedule 13G Amendments**	Kelly Durham
Total Equity Holdings over $100 million (including ADRS):		
If TSA exercises discretion over client accounts holding certain types of equity securities with an aggregate fair market value of at least $100 million at the end of any month during a calendar year, file within **45 days after the last day of such calendar year** and within **45 days after the last day of each of the first three calendar quarters of the subsequent calendar year.**	**Form 13F**	Kelly Durham
Changes to ADV (Disclosure):		
File amendments: A. **Promptly** upon (1) *any* changes in Items 1, 3, 9 or 11 of Part 1A or (2) any *material* changes in Items 4, 8 or 10 of Part 1A. B. **Whenever** Part II becomes *materially* inaccurate.	**Form ADV Amendments**	Kelly Durham
If there have been changes to Part 1A of TSA's ADV that are not subject to the "prompt" amendment requirement, file such amendments within **90 days after the end of a fiscal year.**	**Form ADV Amendments**	Kelly Durham
New Client:		
Deliver Part II of TSA's Form ADV or other written disclosure statement containing the same information to a client **no later than simultaneously** when the client agreement is executed.	**Brochure**	Kelly Durham

Provide an initial privacy notice to each client not later than **when TSA enters into a continuing relationship** with the client.	**Privacy Notice**	Kelly Durham
Evaluate potential "notice" filing requirements each time TSA accepts a client **in a state not already represented**.	**State Notice Filings**	Kelly Durham
On a **continuous** basis, compare clients' names against the OFAC list of prohibited persons (www.ustreas.gov/offices/enforcement/ofac/sdn/). See TSA's "Anti-Money Laundering Policies and Procedures" for further screening procedures.	**OFAC Reviews**	Kelly Durham
Ongoing Client Relationships:		
Annually, either (i) **deliver** to each client a free copy of Part II of TSA's Form ADV or other written disclosure statement containing the same information or (ii) **offer** to each client to deliver such document within seven days of receiving the client's request for the document.	**"Brochure" (ADV Part II)**	Kelly Durham
Deliver a privacy notice to each of TSA's clients at least once in **every period of 12 consecutive months** in which TSA has a relationship with the client.	**Privacy Notice**	Kelly Durham
New Personnel to be Registered:		
File this personal disclosure document for Investment Advisor Representatives. File changes to the form as they occur (such as change in home address).	**U-4**	Kelly Durham

Exhibit 8

TRI-STAR ADVISORS INC.
REGULATORY FILINGS AND REQUIRED CLIENT NOTICES POLICIES AND PROCEDURES

INTRODUCTION

Tri-Star Advisors Inc. ("TSA" or "Firm") is subject to various federal and state securities laws by virtue of its activities as an investment adviser.

REQUIRED REGULATORY FILINGS

a. General Policy

It is TSA's policy to comply with such laws by making all filings with government authorities and all deliveries to its clients required thereby in a timely fashion. All of such filings and delivered documents shall be complete, true and accurate in all respects.

- The Chief Compliance Officer ("CCO") will review each filing or document to be delivered prior to its delivery to the relevant regulator or client.
- The CCO is responsible for seeing that all filings are completed in a timely manner.
- The CCO will also be responsible for ensuring that a copy of each filing and delivered document is maintained with the books and records of TSA.

Following is a list of mandatory filings:

(1) Form ADVs, Parts 2A, 2B, and 2A appendix 1 (if applicable) and Amendments

(2) U-4s and U-5s

(3) State Notice Filings and Registration Filings

Notice Filings for TSA:

Registrations for Investment Advisor Representatives:

b. Procedures

The CCO will develop and maintain a calendar of when filings are due and will monitor portfolio holdings and new clients to determine when additional filings are required. The CCO will review required filings with counsel or outside compliance consultants on an annual basis.

REQUIRED CLIENT NOTICES

a. General Policy

TSA will meet all requirements for notices to clients.

These notices include:

At onset of relationship

- ADVs
- Privacy policy

Annually thereafter

- Written offer or actual delivery of Form ADVs
- Privacy policy

On-Going as needed

- Principal Transaction written disclosure notice and evidence of client consent (See forms under Principal transactions in the "Trading session of this manual.)

b. Procedures

The CCO will be responsible for monitoring and spot checking to be sure all such notices are sent to all clients in hard copy or by electronic means for those clients authorizing electronic delivery. Each mailing (or electronic delivery) must have a transmittal letter or email mentioning the attached or enclosed required document. These transmittal letters or emails will be maintained by the CCO in TSA's compliance files.

APPENDIX

REGULATORY FILING AND DOCUMENT DELIVERY REQUIREMENTS

Changes to ADV (Disclosure):		
File amendments: A. **Promptly** upon (1) *any* changes in Items 1, 3, 9 or 11 of Part 1A or (2) any *material* changes in Items 4, 8 or 10 of Part 1A. B. **Whenever** Part 2A becomes *materially* inaccurate.	**Form ADV Amendments**	Kelly Durham
If there have been changes to TSA's ADVs that are not subject to the "prompt" amendment requirement, file such amendments within **90 days after the end of a fiscal year**.	**Form ADV Amendments**	Kelly Durham
New Client:		
Deliver ADV Part 2A , 2B and/or 2a appendix 1 (if applicable) to a client **no later than simultaneously** when the client agreement is executed.	**Brochure**	Kelly Durham
Provide an initial privacy notice to each client not later than **when TSA enters into a continuing relationship** with the client.	**Privacy Notice**	Kelly Durham
Evaluate potential "notice" filing requirements each time TSA accepts a client **in a state not already represented**.	**State Notice Filings**	Kelly Durham
On a **continuous** basis, compare clients' names against the OFAC list of prohibited persons (www.ustreas.gov/offices/enforcement/ofac/sdn/). See TSA's "Anti-Money Laundering Policies and Procedures"	**OFAC Reviews**	Kelly Durham

for further screening procedures.		
Ongoing Client Relationships:		
Annually, either (i) **deliver** to each client a free copy of Part 2A of TSA's Form ADV or (ii) **offer** to deliver the ADV Part 2A to advisory clients. The offer to provide the ADV Part 2A must contain a summary of all materials changes (if any) made to the ADV being offered.	**"Brochure" (ADV Part 2)**	Kelly Durham
Deliver a privacy notice to each of TSA's clients at least once in **every period of 12 consecutive months** in which TSA has a relationship with the client.	**Privacy Notice**	Kelly Durham
New Personnel to be Registered:		
File this personal disclosure document for Investment Advisor Representatives. File changes to the form as they occur (such as change in home address).	**U-4**	Kelly Durham