

## FORM ADV Part 2

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

**March 26, 2024**

This brochure provides information about the qualifications and business practices of Regatta Research & Money Management, LLC. If you have any questions about the contents of this brochure, please contact us at 504.831.4636 ext. 5 or email us at [info@regattaresearch.com](mailto:info@regattaresearch.com). Reference made to the firm as being “registered” does not imply any particular level of skill or training. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Regatta Research & Money Management LLC also is available on the SECs website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

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

The last annual update of this Brochure was filed by Regatta Research & Money Management, LLC (“Regatta”) with the SEC in March 2023. Please review carefully the following material changes that have been made since the last update:

No material changes since the last update.

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## ITEM 4: Advisory Business

Regatta Research & Money Management, LLC (Regatta) provides fee-only investment advisory services, more specifically financial planning, asset allocation, and investment management services.

The principal owners of Regatta Research & Money Management LLC are Eric A. Greschner and Rudy J. Blanchard.

Regatta Research & Money Management LLC has been in business since 1998.

Regatta Research & Money Management, L.L.C. does not offer tax, accounting, estate planning, insurance or legal advice.

Regatta may also suggest that Clients use a custodian other than a broker-dealer, such as a bank or trust company. All such custodians are unaffiliated with Regatta and contract directly with the Client. Clients will retain individual ownership of all securities.

### PORTFOLIO MANAGEMENT AND ASSET ALLOCATION SERVICES:

Regatta provides ongoing portfolio management and asset allocation services to each Client based on the individual needs of the Client. Through personal discussions and questionnaires in which goals and objectives based on a Client's particular circumstances are established, Regatta develops a Client's investment strategy and creates and manages a portfolio based on that strategy on a discretionary basis. Regatta then typically creates a custom tailored asset allocation and diversified portfolio utilizing a Client's risk profile, financial planning goals, experience, investment knowledge, liquidity needs, time frame, and net worth, among others.

Regatta will typically create a portfolio consisting of one or all of the following, as appropriate: individual equities, bonds, no-load or load-waived mutual funds, registered 1940 Act Interval Funds, ETFs, ETNs, no commission annuities, as well as third party money managers, alternative investments, and strategies that will manage the Client's portfolio or a portion thereof thorough a separate account.

Based on the Client's needs, liquidity preferences, time frames, net worth, liquidity requirements, risk and return profile, desired level of diversification, level of knowledge and experience, and market view, alternative investment vehicles and asset classes such as hedge funds, private equity, real estate, credit, and commodities, as well as structured products, Reg. D private placements, Limited Partnership interests, Business Development Corporations (BDC), Master Limited Partnerships (MLP), insurance products, etc. may also be utilized.

Individual investments, strategies and/or third party managers may be selected on the basis of any or all of the following criteria: the actual investment's performance history and hypothetical models; the industry sector in which the fund invests; the track record of the manager generally over the full market cycle; the fund's investment objectives; the fund manager's strategy and philosophy; the magnitude and frequency of any losses during previous market declines; the fund's cost management fee structure; degree of historic correlation; and the investment's role in the overall portfolio. Portfolio weighting between asset classes of investments, third party managers, and market sectors will be determined by each Client's individual needs, circumstances, and feedback. Investment management services may be provided directly in-house or outsourced to third party managers. The investment portfolios offer a wide range of risk and performance objectives. If in its sole discretion Regatta believes that a particular investment is performing inadequately, a different investment is more suitable for the portfolio's goals, or if Regatta alters its market outlook based on a continuous evaluation of market and economic conditions, Regatta will sell and reinvest the Client's assets accordingly pursuant to the broad discretionary authority granted by the Client.

Clients will have the opportunity to place reasonable restrictions on the types of investments that will be made on the Client's behalf. Any such restrictions must be in writing and signed by both the Client and a Regatta representative.

#### CLIENT DIRECTED CONCENTRATION RISK

Financial industry standards of care support the need to avoid securities concentration in a single asset, asset class or investment product as a foundation for what is considered suitable for investors. If a client directs Regatta to concentrate excessively in certain investment, asset classes, or illiquid securities and is warned of the risks of doing so, yet requests Regatta to proceed regardless, the Client is solely responsible for the risk of such client directed concentration. Examples include a Client not wanting to reduce excessive concentrations in their employer's stock, inherited stock, low cost basis investment with substantial unrealized capital gains, a stock that has increased significantly in price and becomes too heavily weighted in the portfolio, etc. Other examples include client directed concentration in highly correlated assets in one asset class(es) or sector(s). Investments within the same industry, geographic region or security type tend to be highly correlated, meaning that what happens to one investment is likely to happen to the others. For instance, an investor might own a variety of municipal bonds, but all of them are in the same state or region, or an investor may have investments in individual technology companies but also own a technology fund and have technology stocks represented in an index fund an investor owns. A final issue is client directed concentration in illiquid investments. Certain investments in alternative investments such as private placements, unlisted Direct Participation Programs, registered 1940 Act Fund, structured products, and non-traded Real Estate Investment Trusts (REITS) may be difficult to sell quickly or at all in certain market scenarios. Should an investor need quick access to cash and is heavily invested in illiquid securities, they may not be able to tap this money in a timely or cost-efficient manner. Liquidity risk in such scenarios is entirely born by the investor.

#### CLIENT DIRECTED MARKET TIMING

If a Client engages in self-directed market timing that alters the asset allocation and investment portfolio determined by Regatta, the Client is responsible for the outcomes and any associated opportunity cost due to the client "mistiming the market". Market timing is a strategy where an investor attempts to "time" the market by buying, or selling, a mutual fund, stocks, ETF, or other investment, to take advantage of perceived market moves.

#### DIVERSIFICATION STRATEGIES

Although investment risk cannot be eliminated, Regatta also generally employs one or more basic investment strategies to help manage both systemic risk (risk affecting the economy as a whole) and non-systemic risk (risks that affect a small part of the economy, or even a single company).

1. **Inter Asset Allocation:** By including different asset classes in a Client's portfolio (for example stocks, bonds, cash, and alternatives, private real estate, private equity, hedge funds, etc.), the probability increases that some investments will provide satisfactory returns over long periods of time even if others are flat or losing value. Asset allocation does not ensure a profit and will not protect against loss in declining markets. During a general market downturn, multiple asset classes may be negatively affected at the same time.
2. **Intra-asset:** To increase diversification investments allocated to a particular asset class investments may be spread among various categories of investments within that asset class.

While diversification can reduce risk and volatility, it can fail during periods of extreme market stress such as the 2008-2009 financial crisis and the Coronavirus disease (COVID-19) market decline when asset classes that had historically performed differently from each other moved in

tandem and experienced significant peak to trough losses.

## DUTY TO PROACTIVELY INFORM REGATTA OF CHANGES IN CLIENT CIRCUMSTANCES

To ensure that Regatta's initial determination of an asset allocation remains suitable and that the Client's accounts continues to be managed in a manner fitting the Client's financial circumstances, Client agrees to promptly contact Regatta in the event of a material change to his/her financial circumstances. (See Item 8 of this Brochure for more information regarding our methods of analysis and strategies used in managing Client accounts as well as the risks inherent in such approaches).

## MONEY MANAGER PROGRAMS

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

Based on a Client's individual circumstances and needs, Regatta may recommend an appropriate third party investment program to the Client. Factors considered in making this recommendation include minimum acceptable account size, risk tolerance, client preference, as well as investment philosophy, track record, etc., of the third party manager. Third party managers and investment programs are summarized in Item 8 of this Brochure. Regatta will provide requested information to third party managers as requested.

## FINANCIAL PLANNING SERVICES:

Regatta also provides advice in the form of a financial plan for clients who avail themselves of this service.

Depending on the Client's needs and preferences, the financial plan may address any or all of the following areas of concern:

- *PERSONAL*: Budgeting, financial goals, and time frames.
- *EDUCATION*: State savings, 529 plans, and general assistance in projecting educational needs and savings
- *TAX & CASH FLOW*: Regatta does not provide general tax advice. However, will assist Clients by selecting tax efficient investments and the funding of qualified accounts. Regatta will also assist with cash flow analysis and modeling.
- *RETIREMENT*: Analysis of strategies and investment plans to help the Client achieve his or her retirement goals.
- *INVESTMENTS*: Analysis of investments and their effect on a Client's portfolio.

If a Client utilizes the firm's financial planning service, Regatta gathers information including a Client's current financial status, future goals and attitudes towards risk among other things. Related documents supplied by the Client are reviewed by Regatta.

## CLIENT COMMUNICATIONS

Regatta will periodically communicate with the Client via in person meetings, video or phone conference, and via e-mail as determined by the Client's needs, availability, willingness, and responsiveness to review their account(s).

Regatta cannot adequately perform its duties for the Client unless the Client diligently and timely performs his or her responsibilities. These include promptly providing initial and ongoing information and/or documentation requested by Regatta as it pertains to Client's investment objectives, needs and goals, risk profile, liquidity requirements, etc. and to keep Regatta informed of any changes regarding same. Such information and documentation shall include, but is not limited to, financial planning questionnaires in order to complete a financial plan, periodic requests for updated risk tolerance questionnaires, quarterly client updated questionnaires, etc.

Due to the risks associated with investing, it is critical that the Client review all initial and ongoing documentation provided by Regatta, including account agreements, prospectuses, suitability reviews, risk disclosures, Form ADVs, confirmations, account statements, and any other documents.

The failure to diligently and timely respond to information or documents requested by Regatta will severely limit and hinder Regatta's ability to perform its obligations and that such delays or failures could cause serious or severe consequence to the client's accounts, including, but not limiting to, a scenario where Client's risk tolerance is not aligned with the Account's then current portfolio strategy, which could result in significant losses or underperformance in the Account. If Client's response to information or documentation request is materially delayed or if Client fails to respond to requested information or documentation from Regatta entirely, the Client entirely accepts the risks associated with failing to provide Regatta the information needed to perform its duties to the Client.

Also, it is critical that Client reads and understands Regatta's Disclosure Document (Form ADV) and all offering materials provided by any investment sponsor including third party ADVs, private placement memorandums (PPM), operating agreements, subscription agreements, and any third party due diligence prior to investing as well as any referenced articles linking to FINRA and SEC websites in our Form ADV. When reading any disclosure documents and offering materials, Client agrees to pay particular attention to the contents of the following sections as they apply to investment objectives: Risk Factors and Degree of Risk, Liquidity Restrictions, Lack of Diversification in Investment, Suitability Requirements, Tax Aspects, Conflicts of Interest, Commissions/Sales Charges, Possible Leverage, Administrative and other Fees. In the event a third-party manager is utilized, Regatta will deliver to the Client the third-party manager's Form ADV. The Client must read and understands any third party manager's Form ADV or other disclosure documents prior to investing.

Regatta provides updated information about Clients' financial circumstances as necessary to third party managers.

Regatta monitors strategies, investments, and third party managers at least quarterly and will rebalance and replace as appropriate at Regatta's discretion. (See Item 13 of this Brochure for more information regarding account reviews and reviewers).

## CLIENT DUTIES- CYBERSECURITY

Client understands that Client must proactively take the following actions in order to help protect Client's online accounts, funds, communications, and privacy against cybercrime, and cyberattack: (a) Install virus protection and removal software, update it when prompted, and regularly scan for potential issues; (b) Update all software security patches when prompted; (c) use strong passwords that are at least eight character long, do not contain Client's real name, do not contain a complete word, are significantly different than prior passwords, and contain a combination of uppercase letters, lowercase letters, numbers, and special characters/symbols; (d) periodically reset all passwords for any email account Client uses to communicate with Regatta; (e) Encrypt all email Client sends to Regatta; (f) use only secure Wi-Fi networks, (g) limit the amount of personal information posed to social networking sites, and; keep all system firewalls turned on at all times. If Client fails to take any of the above mentioned actions, then Client bears the risks of their inactions.

## CONSULTING

Clients can also receive investment advice on a more limited basis. This may include advice on an isolated area(s) of concern such as retirement planning, reviewing a Client's existing portfolio, or any other specific topic. Additionally, Regatta may provide advice on non-securities matters.

As of December 31, 2023, Regatta had \$172,530,152 in assets under management.

## ITEM 5: Fees and Compensation

### PORTFOLIO MANAGEMENT AND ASSET ALLOCATION SERVICES:

- (1) Regatta's management fees are negotiable from the inception of and during the execution of the management agreement and are applied to all assets under management at Regatta, unless specifically excluded in a written agreement between Regatta and the client. Including active and passively managed vehicles, concentrated and alternative liquid and illiquid positions, in house managed portfolios, and those outsourced to a third party money manager.
- (2) Fees are due and payable in advance on the first day of the month that begins a new calendar quarter. Regatta deducts fees from Clients' assets or directly bills Clients for fees incurred. Clients may select either method. The fees are either directly billed or more often deducted directly from Clients' account(s) and a billing statement is sent to the owner of the account on a quarterly basis. Annual fees range from 1/4% to 2% of the Client's assets under management. One quarter (1/4) of the annual management fee is charged in advance for the upcoming quarter. Clients whose funds are submitted for management after the last day of the previous quarter but before the first day of the last month of the current quarter are billed on a pro-rata basis for the remaining days of the current quarter. Only additions over ten thousand dollars, whether in one deposit or multiple deposits, will be billed pro-rata. For additions that do not meet the de minimus exception, there will be no pro-rata charge.
- (3) Fees depend on a variety of factors including, but not limited to: the nature of the Client's goals and circumstances, the amount of the Client's assets managed by Regatta, the complexity of client's accounts, changes in the Client's risk profile, increased or decreased allocations towards fixed income or stocks and alternatives, number of accounts, increases or decreases in the Client's non-discretionary activity, increases or decreases in the Client's assets managed by Regatta, the amount of initial and ongoing work required by Regatta, Regatta's desire to strengthen and maintain the Client relationship, the introduction of new trading platforms or investments, etc.
- (4) At Regatta's sole discretion the money management fee may be reduced or waived for certain classes of Clients such as current or former employees, relatives, solicitors, Clients who are experiencing economic hardships, etc.
- (5) In addition to Regatta's fees as set forth above, Clients utilizing the services of a third party manager will separately incur the fees charged by the third party. If a third party manager is utilized, this layering of fees will lower the Client's overall return.

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

### FINANCIAL PLANNING SERVICES:

Financial planning fees will be calculated based on a charge ranging from \$200 to \$300 per hour



depending on the nature and complexity of the individual Client's needs. The length of time it will take to create a financial plan will depend on each Client's requirements. All fees are agreed upon prior to entering into a contract with any Client. Fees are due and payable upon completion of the plan. There is no minimum financial planning fee.

If a financial planning services Client implements investment recommendations by engaging Regatta for Portfolio Management Services, Regatta may, at its discretion, waive, discount, or adjust any financial planning fees.

#### ADDITIONAL INFORMATION ON FEES AND EXPENSES:

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

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

Clients of Regatta who are invested in these vehicles are, in effect, paying an additional level of fees. Clients pay a management fee to Regatta based on the market value of the Client's assets under Regatta's management and Clients indirectly or, in some cases, directly, pay additional fees and expenses to the mutual fund, annuity company, ETF sponsor, REIT, separately managed accounts, hedge fund sponsors, etc., on the underlying investment as disclosed in the prospectus and related disclosure documents. Furthermore, variable annuities charge additional expenses in the same manner, including mortality and administrative charges. Additionally, custodians such as Fidelity, Equity Institutional, Jefferson National, etc. may charge an annual maintenance fee depending on the account type, size of the account, whether or not the account has systematic investing plan, whether it is a conventional or alternative investment, etc. There are fees associated with TransAmerica RetireOne and Advisor Elite variable annuities for insuring that the dollar value of the account used for annuitization does not fall below a certain dollar level. With certain investments such as managed commodity pools, private real estate, private credit, hedge funds, etc. there may be three levels of fees if a feeder fund is utilized; Regatta's, the feeder fund's, and the pooled investments fee.

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

**Real Estate Investment Trusts (REITs):** Regatta may recommend and implement recommendations for Clients to purchase shares of non-publicly traded Real Estate Investment Trusts issued by firms such as Inland, Lightstone, etc. Clients of Regatta purchase shares of offered Real Estate Investment Trusts at a discounted price as Regatta does not accept commissions on the purchase of same. Due to the discounted price, Clients receive an increased number of shares for the dollar amount invested as opposed to investors

who purchase the shares via a commissioned Registered Representative. The total number of shares held is the basis for the payment of dividends over the life of the investment. If redeemed before maturity, the Client does not receive the value of the additional shares. However, if the Client holds the shares to maturity, the Client retains the additional shares to sell. Total assets under management, for the purposes of Regatta Research & Money Management's fee calculation, include the aforementioned additional shares. If the Client redeems the shares prior to maturity, therein not retaining the benefit of the additional shares, Regatta will rebate the fees assessed on the additional number of shares during the holding period. If the Client holds the shares to maturity, therein retaining the benefit of the additional shares, the rebate of fees will not apply.

#### TERMINATION OF ADVISORY AGREEMENT:

The Investment Management Agreement may be cancelled on notice by either party in writing at any time without cause. Any money management fees paid in advance by Client will be refunded on a pro-rata basis upon receipt by either party of written notice of termination of the Agreement. The termination shall be effective on the date of the receipt of written notice. Upon termination by either party, once Regatta completes any outstanding obligation and commitments, the former Client is exclusively responsible for management of their existing portfolio, including, but not limited to buying and selling, as well as monitoring any investment in their portfolio from the date of notice of termination, unless an alternate arrangement is agreed in writing between Regatta and the former client. Provided Regatta is provided with reasonable notice and requested to do so by the Client, liquid securities may be sold at Regatta's discretion and the proceeds converted to cash via a money market. Provided we are given reasonable notice and requested to do so by the client, third party money managers, separately managed accounts, etc., in general, can place proceeds from sold holdings into a money market. Termination of third party management agreements and alternative investments must be done in accordance with the terms of the third party management agreement, Private Placement Memorandums, operating agreements, ETC.

If a Client requests funds to be sold from a contra firm and thus causes short term redemption fees, Regatta is not responsible for reimbursement of those fees. To avoid any unnecessary fees that may be charged to the Client, we request the Client contact their advisor so that we can make them aware of any possible fees or penalties that may take place and how to potentially mitigate or even entirely eliminate them.

Note: A Client is not required to terminate any annuity contract or liquidate any mutual fund, structured product, alternative investment, private REIT or in some cases, third party manager when terminating our service. Should a Client decide to terminate our service, a surrender/redemption charge or penalty or transaction fee may be imposed by the investment provider. Some custodians may also apply a fee in order to close an account.

#### FEES FROM DIFFERENT CUSTODIANS

##### **Fidelity**

- IRA and Fidelity Retirement Plan accounts: Fidelity® charges a \$125 closeout fee
- Nonretirement accounts Fidelity charges a \$75 closeout fee unless journaled in full to another Fidelity account.
- Payment: The fee is deducted from the account when the account is closed. It cannot be paid by a separate check.
- Waivers:
  - On Traditional, Rollover, and SIMPLE-IRAs when converting to a Fidelity Roth IRA
  - On Inherited IRA and Inherited Fidelity Retirement Plan accounts
  - On distributions to another Fidelity nonretirement account
  - On rollovers or transfer to another Fidelity retail or IWS retirement account

- o On rollovers to a Fidelity Institutional account such as an e401(k)
- o All distributions from SIMPLE IRAs
- o On PWS plans, including MRD and SEPP, associated with the end Clients' retirement accounts

### **Jefferson National**

- None

### **Transamerica**

- No fee unless they are not out of the surrender period. If they are not out of the surrender period, a fee will be imposed on an account by account basis depending on the account.

### **Prudential**

- Account by account basis depending on the product. Currently all of our Clients are in the Advisors 2000 Product and there are no surrender charges.

### **CNB**

- \$200 Annual fee + Transaction Fees Below
  - o Set Up Fee: \$50.00
  - o Purchase Fee: \$15.00-\$150.00
  - o Distributions by Check: \$10.00
  - o One Time Cash Transfer: \$25.00
  - o Periodic Cash Transfer: \$10
  - o Conversion, Recharacterization: \$25.00
  - o Account Closing: \$175 + Transaction fees

### **Equity Institutional**

- Partial Termination: \$100/asset (Basic IRA)
- Full Termination: \$225 (Basic IRA)
- Distribution of Asset/Re-registration Fee \$100 (Basic IRA)

### **Great-West Financial**

- No fee to close out Smart Track Advisor variable annuity

### **Jackson National**

- Account by account basis depending on the product. Currently all of our Clients are in the Prospective L Series Product and there are no surrender charges.

### **ComputerShare**

- No fee to close out account but fees to sell holdings and the fee varies depending on holding.

## **ITEM 6: Performance Fees**

Regatta is only paid on assets under management and does not share in performance fees.

## ITEM 7: Types of Clients

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

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

### 8A: Methods of Analysis

Regatta employs the following methods of analysis:

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

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

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

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

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

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

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

*Mutual fund, registered 1940 Act interval fund, and/or ETF analysis:* We analyze the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and ideally in different economic conditions. We also monitor the funds determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund, registered 1940 Act interval fund, and/or ETF analysis is that, as in all investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF.

*Third-Party Manager Analysis:* We examine the experience, expertise, fees, investment philosophies, past performance etc. of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to perform over a period of time and in different economic conditions.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, since we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio. The third party manager may also experience a change of ownership, retire, or experience a significant influx of assets that affect performance.

Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

## **8B: Investment Strategies**

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

*Asset Allocation:* We attempt to identify an appropriate ratio of securities often including stocks, bonds, and cash. Additional asset classes may include alternative investments such as hedge funds, credit, commodities, private equity, currencies, private credit, real estate, fixed income, etc. suitable to the Client's investment goals and risk tolerance.

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

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

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

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

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a

longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

*Short selling:* Regatta may also invest in mutual funds or ETFs that may short securities in various degrees and utilizing different techniques. A "short" occurs when a person sells securities he or she does not yet own. Borrowed shares are, before the sale, used to make "good delivery" to the buyer. Eventually, the borrowed shares must be bought back to close out the transaction. This technique is used when an investor believes the stock price will drop.

Short selling results in some unique risks:

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

## FINANCIAL PLANNING AND ANALYTICAL REPORTS

Regatta may utilize analytical tools such as MoneyGuidePro, EMoney, Tax Clarity, Riskalyze, etc. to generate financial reports, which are diagnostic tools intended to review the Client's current financial situation and suggest potential planning ideas and concepts that may be of benefit. The purpose of the reports is to illustrate how financial planning, asset allocation, and investment principles can be custom tailored to a Client's current situation.

The reports are based upon information and assumptions provided by the Client. The reports may also not reflect all holdings or transactions, their costs, or proceeds received by Client. They may contain information on assets that are not held at the custodian(s) with whom Regatta has a relationship with and hence access to information on the holdings. As such, those assets will not be included on Regatta's books and records. It is important that the Client to compare the information on the reports with the statements you receive from the custodian(s) for your account(s).

Financial forecasts, rates of return, risk, volatility, inflation, taxes, sequence of returns and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices, asset class, or any particular investment.

Some analytical reports may illustrate or compare the hypothetical historical performance of a current and/or proposed asset allocation, portfolio or both. All results use simplifying assumptions that do not completely or accurately reflect a Client's specific circumstances. Moreover, while the individual asset classes and specific securities/investments may have actual historical performance, the combination of these asset classes in an asset allocation or investments in an illustrative portfolio guidance is new and, therefore, that combination does not have an actual performance record.

Illustrations of the historic performance of an asset allocation or illustrative portfolio do not reflect the results of actual trading of securities, but are calculated by the retroactive application of historical performance of the investment returns to the illustrative portfolios. Because the asset allocation and illustrative portfolios were structured with the benefit of knowing how each asset class or specific security/investment performed during the period shown, the hypothetical returns may be higher or lower than the returns of an actual portfolio that would have been recommended during that period. The projections or other information generated by asset allocation software regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, actual class selections, weightings or investment selections, and are not guarantees of future results.

Analytical software providers can also significantly differ in their underlying theories, assumptions, and methodologies and often seek to improve them by modifying them on an ongoing basis. There can be differences in the historical data relied on, model portfolio composition, investment return calculations, the availability and treatment of data on illiquid or new alternative assets, and the outcomes of hypothetical portfolio stress tests. Also, often the available databases do not have lengthy performance data over multiple market regimes (disinflation, inflationary), which can lead to unreliable modeling results. There can also be material differences in the results of such reports based on the software provider utilized and the date the report was completed. Reports from different analytical software providers generate a wide range of possible outcomes. As a result, all such reports are of a generic nature and meant for informational purposes only.

Alternative investments create material additional limitations and enhanced uncertainty in simulated results. Alternative securities (e.g. Limited partnership interests, limited liability companies, private credit, private equity, private real estate, hedge funds, managed futures, etc. which are not listed on national exchanges) are generally illiquid. No formal trading market exists for these securities. There is often no historic price data available to model the alternative investment to use in the reports. Likewise, structured products also provide their own additional set of modeling limitations including relative low levels of periodic liquidity, an inability to factor in each structured product's terms and risk return profile into the model, complex secondary market pricing behavior, credit risks of the issuer, etc. As a result of these limitations, the values of such alternative investments and future performance will be materially different than that which is shown the reports.

To attempt to mitigate the modeling issues alternative investments present, Regatta often utilizes liquid, publicly traded investments as proxies in the simulations. The use of proxies for alternative investments in simulations has significant limitations. For example, the historic performance of the liquid proxies will not completely reflect the risk/return and often underlying investment attributes of the alternative investment characteristics of the actual illiquid investment held by the Client and can potentially over or understate the latter's potential returns, correlations, diversification benefits and volatility. Therefore, the any reports using illiquid alternative investments will be significantly less reliable, and as a result, should only be used as a general guide to future portfolio values.

Additionally, there is no guarantee that back-tested results in the reports could or would have been achieved had a hypothetical asset allocation or portfolio been used during the years presented. Investment portfolios, asset allocations, market conditions, Client risk tolerances, tax rates, preferences, and needs often materially evolve over the course of time and are not held constant. As a result, no asset allocation, portfolio modeling, or financial planning software has the ability to accurately predict the future.

Simulated results have inherent limitations and are provided for educational and illustrative purposes only. They do not constitute investment advice or actual current or future allocations or investments. The information contained in the reports is not written or intended tax or legal advice. The information provided in the reports may not be relied on for purposes of avoiding any federal tax penalties. Clients are encouraged to seek financial, tax and legal advice from your professional advisors.

The reports provide broad and general guidelines on the advantages of certain financial planning and asset allocation concepts and do not constitute a recommendation of any particular technique or investment. All

reports should be reviewed in conjunction with the fact summary and the associated disclaimers.

The reports and the illustrations provide a summary of certain potential financial strategies. Clients should consult their tax and/or legal advisors before implementing any transactions and/or strategies concerning your finances.

## MONTE CARLO ANALYSIS

Regatta may employ Monte Carlo Analysis, which is a mathematical process used to implement complex statistical methods that chart the probability of certain financial outcomes at certain times in the future. This charting is accomplished by generating hundreds of possible economic scenarios that could affect the performance of investments. The Monte Carlo simulation uses at most 1000 scenarios, each time using a different sequence of returns and inflation rates using the average return and standard deviation as guidelines for a range of returns, and the average inflation and standard deviation as guidelines for the range of inflation rates), which it uses to calculate the results for that scenario. The goal is to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes and can also incorporate different financial planning assumptions including timing of cash flows and Client withdrawal rates, etc. Some of these scenarios will assume very favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios will conform to the worst periods in investing history. Most scenarios will fall somewhere in between. The outcomes presented using the Monte Carlo simulation represent only a few of the many possible outcomes. Analytical software using simulations such as the Monte Carlo analysis will yield different results depending on the variables inputted, the different sequences of returns, and the assumptions underlying the calculation. The assumptions with respect to the simulation include the assumed rates of return and standard deviations of the portfolio model associated with each asset. The assumed rates of return are based on the historical rates of returns and standard deviations, for certain periods of time, for the benchmark indexes comprising the asset. Since the market data used to generate these rates of return change over time, the results will vary with each use over time. Monte Carlo Simulations illustrate the likelihood that an event may occur as well as the likelihood that it may not occur. In analyzing this information, the analysis does not take into account actual market conditions, which may severely affect the outcome of the results over the long-term.

## PORTFOLIO STRESS TESTS

Portfolio stress tests are at best a rough approximation of how a model or portfolio at the time of the report may have hypothetically fared through various historic market events including, for example, the Great Recession of 2008, including the financial crisis and recovery.

The limitation of any stress tests is that it is highly unlikely that such historical events will repeat themselves. The circumstances of any future market decline and its nature (velocity of the decline, magnitude and breadth of losses, etc.) and any subsequent potential recovery will be materially different from those that preceded it. For example, the nature of the 2020 crash caused by the COVID-19 pandemic differed significantly from that of the Great Recession of 2008, which differed from the Tech Crash of 2000-2002 and so on. In times of market stress, investments can perform very different than they did on a historic basis. Investments that may have formerly risen, remained stable, or declined less during previous market declines may materially deviate from their prior performance potentially by significant amounts. Any actual investment losses in a future decline may potentially grossly exceed the losses modeled using historic portfolio stress tests and such losses could in a shorter time period.

Also, in practice, a Client's actual asset class selection, weightings, sector weightings, and underlying investments may differ significantly from the asset class composition utilized in a historical stress test.

Due to these realities, a Client's actual investment performance in a future market decline and hypothetically subsequent recovery will materially differ from that of any declines modeled in historic portfolio stress tests, potentially by a significant amount. A Client may experience a better, similar, or worse result in a future bear



market. As a result, historic portfolio stress tests are for informational purposes only and are not guarantees of future results. The stress tests figures may also exclude advisory fees and other investment expenses which, if included, would have had a negative effect on the model results.

## PROJECTED RETURN ANALYSIS

All calculations use asset class rather than individual securities or pooled investment vehicles returns. The projected return assumptions used in software are estimates based on average annual returns for each asset class. The portfolio returns are calculated by weighting individual return assumptions for each asset class according to a given portfolio allocation.

The return assumptions utilized are not reflective of any specific product, and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific product may be more or less than the returns used in the asset allocation software.

The portfolio returns may have been modified by including adjustments to the total return and the inflation rate.

The portfolio returns assume reinvestment of interest and dividends at net asset value without taxes. No portfolio rebalancing costs, including taxes, if applicable, are deducted from the portfolio value.

The projected asset class and investment returns utilized in the reports are typically based on past performance and is also heavily dependent on the respective modeling assumptions used by each analytical software provider. As a result, different analytic software providers may produce significantly different asset allocations, target returns, drawdown assessments for the same client. However, future asset class and investment performance is highly variable and is influenced by a large number of inputs, including, future earnings, dividends, valuations, interest rates, inflation, taxes, currencies, general financial conditions as well as the impact of unforeseen financial shocks such as the 9/11 terror attacks and the COVID-19 pandemic. No portfolio allocation eliminates risk or guarantees investment results. Actual market conditions and the nature and magnitude of the downside volatility, returns, and inflation rates experienced by the Client may differ significantly from any model projections, and there is no guarantee they may be successful.

The ability to achieve the suggested asset allocation's risk and return targets and financial planning goals also depends in part on Regatta's ability to select the optimal conventional and alternative asset class classes and weightings and in selecting and weighting the underlying investments, strategies, and managers within each asset class. Actual asset class allocations and investment selections can significantly deviate from time to time from the targets as market conditions warrant.

The use of alternative investments and risk management strategies such as tail risk and maximum drawdown strategies can materially modify the certainty of meeting return and risk targets.

There is a risk that Regatta's evaluations and assumptions regarding asset class selection, weighting, re-balancing frequency as well as the selection of the underlying investments, strategies, any hedging techniques, and if applicable, third party managers may result in losses or underperformance to appropriate benchmarks or other investments with similar objectives.

## RISKS ASSOCIATED WITH MAXIMUM DRAWDOWN AND VOLATILITY REDUCTION STRATEGIES

Some portfolios may have a client directed risk overlay on a peak to trough basis with the goal of maintaining a target "drawdown", which is the maximum amount an investments may fall during a specific period, typically utilizing Riskalyze and stress testing portfolios during prior periods of market weakness. The term "peak to trough" refers to the stage of the business or market cycle from the end of a period of growth (peak) into declining activity and contraction until it hits its ultimate cyclical bottom (trough). "Target Drawdown" is

merely a descriptive term used to describe the general strategy and objective of the portfolio. It is not a guarantee, nor should it be construed to suggest any degree of safety or protection from loss. There is absolutely no guarantee that portfolio performance will remain consistent with the targeted drawdown parameter. There can be no assurance and, Regatta does not represent or guarantee, that this target can be maintained.

In addition, Regatta may seek to manage excessive volatility within the portfolio. There is no guarantee that Regatta will be successful. Securities in the portfolio may be highly volatile, and the portfolio may not be any less volatile than the market as a whole and could be more volatile. Regatta's determinations and expectations regarding volatility may be incorrect or inaccurate, which may also adversely affect the portfolio's actual volatility and execution of the drawdown strategy.

Calculations of the estimated drawdown amount in a market downturn as well as the methodology of calculating estimated losses for liquid, conventional securities during periods of high market volatility when there may be difficulty in obtaining accurate price discovery, is inherently challenging, solely at Regatta's discretion.

Calculation of the estimated current and future drawdown amounts, as well as the methodology of calculating estimated losses for illiquid, alternative securities such as private equity, structured products, illiquid real estate investments, hedge funds, etc. is also at Regatta's discretion due to factors such as, in certain cases, as the lack of public markets, infrequent and delayed accounting and reporting by investment providers, concerns about credit risk by the investment providers, etc.

During periods of market weakness Regatta may also at its discretion attempt to provide a volatility "cushion" by de-risking certain portfolios to varying degrees prior to the maximum drawdown target potentially being exceeded. The goal is to attempt to prevent the maximum drawdown target being exceeded due to a sudden downward "jump" in asset prices due to excessive downside market volatility.

The assessment of whether or not a "cushion" of cash or low volatility investments may be needed, the timing of such, and the magnitude of the "cushion" is solely at Regatta's discretion. A risk of attempting to limit price declines in declining equity markets by raising cash or investing in investments that have had historically low volatility and/or correlations to stocks and the market later undergoes a sustained rebound, the portfolio also may underperform other investments or portfolios with similar investment objectives and strategies. Strategies that may potentially help limit losses in large sustained market declines may reduce the opportunity to achieve returns when the equity markets are rising. A volatility dampening strategy may also underperform other investments or portfolios with similar investment objectives and strategies, particularly in the scenario where the market declines and equals or marginally exceeds the drawdown target, which results in Regatta attempting to provide protection and mitigate risk in the portfolio, and the market then subsequently rebounds, which results in a "whipsaw" in the application of the strategy. A whipsaw is buying stocks just before prices fall and selling stocks just before prices rise in a volatile market. In general, the greater the protection against downside loss, the lesser the opportunity to participate in the returns generated by rising equity markets. However, there is no guarantee Regatta will be successful in protecting the value of a portfolio in down markets in general or that a maximum drawdown target will not be violated or that Regatta will outperform any unhedged, long-only benchmark.

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

### **Bonds**

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

- Interest rate risk. The risk that the value bond you invested in will fall if interest rates rise.
- Call risk: The risk that your bond will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.

- Default risk: The risk that the bond issuer may be unable to pay you the contractual interest or principal in the bond in a timely manner or at all.
- Inflation risk: The risk that the price increase in the economy will negatively impact the relative returns associated with the bond.

### **Deferred Annuity**

An annuity is a contract with an insurance company. All annuities have one feature in common, and it makes annuities different from other financial products. With an annuity, the insurance company promises to pay you income on a regular basis for a period of time you choose – including the rest of your life.

- All contract and rider guarantees, including optional benefits and any fixed subaccount crediting rates or annuity payout
- Insurance company
- Rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased, or any affiliates of those entities, and none makes any representations or guarantees regarding the claims- paying ability of the issuing
- Please note that the policies, fixed account, and the separate account investment choices:
  - are not bank deposits
  - are not federally insured
  - are not endorsed by any bank or government agency
  - are not guaranteed to achieve their goal
  - are subject to risks, including loss of premium
- Before investing you should carefully read the prospectus and the accompanying prospectuses for the portfolios of the underlying mutual funds. These prospectuses give you important information about the policy and the portfolios, including the objectives, risks, and strategies of the portfolios;
- Before investing in an annuity, also read and make sure you understand the following:  
Variable Annuities: Beyond the Hard Sell: <http://www.finra.org/investors/alerts/variable-annuities-beyond-hard-sell>.  
NAIC Buyer's Guide for Deferred Annuities:  
[http://www.naic.org/documents/prod\\_serv\\_consumer\\_anb\\_la.pdf](http://www.naic.org/documents/prod_serv_consumer_anb_la.pdf).

### **Exchange Traded Funds (ETFs)**

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

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

- Brokerage costs: Trading into and out of ETFs may incur sales commissions and possibly other brokerage fees.
- Wide spread: ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of the underlying investments and may be sold at price below such net asset value.
- Internal costs: Investing in an ETF exposes a Client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the costs of investing directly in its underlying investments.
- Volatility: Because the market price of ETF shares depends on the demand in the market for them, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track, and a Client account may not be able to liquidate ETF holdings at the time and price desired, which may impact its performance.

### **Exchange Traded Notes (ETN)**

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

- Market risk: The chance that the underlying index or strategy of the ETN invests in will decline.
- Opportunity cost: The possibility that other investments will perform better.
- Tracking error: The possibility that the ETN's manager will do a poor job of tracking the performance of the underlying benchmark or strategy.
- Lack of Support: Many ETN sponsors provide limited customer support.
- Market pricing: There is no guarantee that the market price of an ETN will be the same as the market value of the underlying securities it attempts to track.
- Brokerage costs: Trading into and out of ETNs may incur sales commissions and possibly other brokerage fees.
- Wide spread: ETN shares trade on an exchange at a market price which may vary from the ETN's net asset value. ETNs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value.
- Credit risk: ETNs are debt obligations and their payments of interest or principal are linked to the performance of a reference investment (typically an index). ETNs may lose all or a portion of their entire value if the issuer fails or its credit rating changes.
- Replication risk: An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and weighting of the components of that index.
- Higher costs: ETNs also incur certain expenses not incurred by the reference investment and the cost of owning an ETN may exceed the cost of investing directly in the reference investment.
- Volatile: The market trading price of an ETN may be more volatile than the reference investment it is designed to track. ETNs may be purchased at prices that exceed net asset value and may be sold at prices below such value.
- Illiquid: holdings may not be able to be liquidated at the time and price desired, which may impact its performance.

### **Interval Fund**

An interval fund is a type of investment company that periodically offers to repurchase its shares from shareholders. That is, the fund periodically offers to buy back a stated portion of its shares from shareholders. Shareholders are not required to accept these offers and sell their shares back to the fund.

- Legally, interval funds are classified as closed-end funds, but they are very different from traditional closed-end funds in that: Their shares typically do not trade on the secondary market. Instead, their shares are subject to periodic repurchase offers by the fund at a price based on net asset value. They are permitted to (and many interval funds do) continuously offer their shares at a

price based on the fund's net asset value. An interval fund will make periodic repurchase offers to its shareholders, generally every three, six, or twelve months, as disclosed in the fund's prospectus and annual report. The interval fund also will periodically notify its shareholders of the upcoming repurchase dates. When the fund makes a repurchase offer to its shareholders, it will specify a date by which shareholders must accept the repurchase offer. The actual repurchase will occur at a later, specified date. The price that shareholders will receive on a repurchase will be based on the per share NAV determined as of a specified (and disclosed) date. This date will occur sometime after the close of business on the date that shareholders must submit their acceptances of the repurchase offer (but generally not more than 14 days after the acceptance date).

- Note that interval funds are permitted to deduct a redemption fee from the repurchase proceeds, not to exceed 2% of the proceeds. The fee is paid to the fund, and generally is intended to compensate the fund for expenses directly related to the repurchase. Interval funds may charge other fees as well. An interval fund's prospectus and annual report will disclose the various details of the repurchase offer.
- Before investing in an interval fund, you should carefully read all of the fund's available information, including its prospectus and most recent shareholder report.

### **Limited Partnerships**

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

- Investments in limited partnership interests are not often registered under the securities laws and may not be able to be readily sold.
- Redemption options may be limited or may not exist at all.
- Because of the limited market for these investments, it is difficult to accurately value the investment over time.
- Generally, you must incur certain criteria in order to be able to invest in limited partnership interest.
- You may also incur tax liabilities which will not receive an associated cash distribution and you may also be subject to alternative minimum tax (AMT).
- Also, be sure to read and make sure you understand the following resources before investing in a Limited Partnerships and Private Placements: Investor Bulletin: Private placements under Regulation D at [sec.gov/answers/regd.htm](http://sec.gov/answers/regd.htm). For more information about restricted securities visit [sec.gov/investor/pubs/rule144.htm](http://sec.gov/investor/pubs/rule144.htm). For the investor bulletin for credit investors visit [investor.gov/news-alerts/investor-bulletins/investor-bulletin-accredited-investors](http://investor.gov/news-alerts/investor-bulletins/investor-bulletin-accredited-investors). For FINRA investor alert about private placements, visit [FINRA.org/investors/protectyourself/investoralerts/privateofferings/p339650](http://FINRA.org/investors/protectyourself/investoralerts/privateofferings/p339650). For capital NASAA's investor alert about private placements, visit: [NASAA.org/wp-content/uploads/2013/04/private-placements.pdf](http://NASAA.org/wp-content/uploads/2013/04/private-placements.pdf)

### **Mutual funds**

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

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

## Options

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

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

### *Risks of Common Option Strategies*

Risks to Strategies: Not all option strategies are suitable for investors; certain strategies may expose investors to significant potential losses. We have summarized the risks of selected derivative strategies. For additional risk information, please call your financial advisor for a copy of “Characteristics and Risks of Standardized Options. We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Please also refer to the option risk disclosure documents.

The following are important option investing terminology:

**Put Sale:** Investors who sell put options will own the underlying asset if the asset's price falls below the strike price of the put option. Investors, therefore, will be exposed to any decline in the underlying asset's price below the strike potentially to zero, and they will not participate in any price appreciation in the underlying asset if the option expires unexercised.

**Call Sale:** Investors who sell uncovered call options have exposure on the upside that is theoretically unlimited.

**Call Overwrite or Buy write:** Investors who sell call options against a long position in the underlying asset give up any appreciation in the underlying assets price above the strike price of the call option, and they remain exposed to the downside of the underlying asset in the return for the receipt of the option premium.

**Booster :** In a sell-off, the maximum realized downside potential of a double-up booster is the net premium paid. In a rally, option losses are potentially unlimited as the investor is net short a call. When overlaid onto a long position in the underlying asset, upside losses are capped (as for a covered call), but downside losses are not.

**Collar:** Locks in the amount that can be realized at maturity to a range defined by the put and call strike. If the collar is not costless, investors risk losing 100% of the premium paid. Since investors are selling a call option, they give up any price appreciation in the underlying asset above the strike price of the call option.

**Call Purchase:** Options are a decaying asset, and investors risk losing 100% of the premium paid if the underlying assets price is below the strike price of the call option.

**Put Purchase:** Options are a decaying asset, and investors risk losing 100% of the premium paid if the underlying assets price is above the strike price of the put option.

**Straddle or Strangle:** The seller of a straddle or strangle is exposed to increases in the underlying assets price

above the call strike and declines in the underlying asset's price below the put strike. Since exposure on the upside is theoretically unlimited, investors who also own the underlying asset would have limited losses should the underlying asset rally. Covered writers are exposed to declines in the underlying asset position as well as any additional exposure should the underlying asset decline below the strike price of the put option. Having sold a covered call option, the investor gives up all appreciation in the underlying asset above the strike price of the call option.

**Put Spread:** The buyer of a put spread risks losing 100% of the premium paid. The buyer of higher-ratio put spread has unlimited downside below the lower strike (down to zero), dependent on the number of lower-strike puts sold. The maximum gain is limited to the spread between the two put strikes, when the underlying is at the lower strike. Investors who own the underlying asset will have downside protection between the higher-strike put and the lower-strike put. However, should the underlying assets price fall below the strike price of the lower-strike put, investors regain exposure to the underlying asset, and this exposure is multiplied by the number of puts sold.

**Call Spread:** The buyer risks losing 100% of the premium paid. The gain is limited to the spread between the two strike prices. The seller of a call spread risks losing an amount equal to the spread between the two call strikes less the net premium received. By selling a covered call spread, the investor remains exposed to the downside of the underlying asset and gives up the spread between the two call strikes should the underlying asset rally.

**Butterfly Spread:** A butterfly spread consists of two spreads established simultaneously – one a bull spread and the other a bear spread. The resulting position is neutral, that is, the investor will profit if the underlying is stable. Butterfly spreads are established at a net debit. The maximum profit will occur at the middle strike price; the maximum loss is the net debit.

## Stocks

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

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

## Table I: Variables Utilized in Investment Management

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

## Table II: Custodians Utilized

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

- (1) Fidelity Investments: P.O. Box 5000, Cincinnati, OH 45273
- (2) Prudential Financial: P.O. Box 7960, Philadelphia, PA 19176

- (3) Lightstone: 299 Park Ave., New York, NY 10171
- (4) Community National Bank: P.O. Box 225, Seneca, KS 66538
- (5) Computershare: P.O. Box 505005, Louisville, KY 40233-5005
- (6) Equity Institutional: Institutional Clients P.O. Box 451159, Westlake OH 44145
- (7) Baceline Investments: 511 Broadway, Denver, CO 80204
- (8) TransAmerica: 4333 Edgewood Rd NE, Cedar Rapids, IA 52499-0010
- (9) Jackson National: P.O. Box 24068, Lansing, MI 48909-4068
- (10) Great West: 8525 E. Orchard Rd. 10T3, Greenwood Village, CO. 80111
- (11) Great American: P.O. Box 5425, Cincinnati, OH 45201-5425
- (12) Midland National: 8300 Mills Civic Parkway, West Des Moines, IA 50266
- (13) Lincoln Financial: 150 N. Radnor Chester Rd. Ste. A305, Radnor, PA 19087
- (14) Allianz Life: 5701 Golden Hills Drive, Minneapolis, MN 55416
- (15) Corebridge Financial: 2919 Allen Pkwy, Houston, TX 77019

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

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

### Notes

If the portfolio is approximately less than or equal to \$20,000 it may be allocated in a more concentrated portfolio, i.e. fewer funds with similar risk attributes, based on Regatta's discretion. The exact dollar amount that will trigger allocation from a more concentrated version of the strategy to the full version will vary and is at Regatta's discretion.

### Table III: Investment Vehicles

- (1) Mutual funds
- (2) Registered 1940 Act Interval Fund
- (3) Exchange Traded Products (ETP) i.e. Exch. Traded Funds (ETF) and Exchange Traded Notes ETN)
- (4) Individual stocks
- (5) Individual bonds
- (6) Certificates of Deposit (conventional)
- (7) Public non-traded REITs
- (8) Annuities and sub accounts
- (9) Insurance or other investment products having unit values determined on a daily basis
- (10) Business Development Companies
- (11) Mortgage notes
- (12) Futures
- (13) Structured products in an SEC Registered Note wrapper
- (14) Structured products in an FDIC insured Certificate of Deposit wrapper
- (15) Regulation D Private Placements
- (16) Preferred Stock
- (17) Master Limited Partnerships



- (18) Hedge Funds
- (19) Managed Commodity Pools
- (20) Limited Liability Company
- (21) Limited Partnership

### Table IIIb: Strategies Utilized

- (1) Active Management
- (2) Passive Management
- (3) Hedging
- (4) Spreads
- (5) Shorting
- (6) Market Neutral

### Definitions

**Alternative investments:** Alternative investments are supplemental strategies to traditional long-only positions in stocks, bonds, and cash. Alternative investments include investments in long-short public market strategies and less common assets such as private equity, derivatives (such as options, options based strategies, structured products, etc.), hedge funds, credit, real estate, infrastructure, commodities, and absolute return funds.

An investment in alternatives typically fulfills one or more of four roles in an investor's portfolio: capital growth, income generation, risk diversification, and/or safety. Alternative investments can act as risk mitigators in relation to a long equity position.

One of the distinguishing features of most alternative investments is their lower correlation with major traditional asset classes of public equities and public fixed-income assets. Alternative investments – such as hedge funds, private equity (PE), real assets, commodities, natural resources and derivatives – are valued for their often reduced correlation to traditional stock and bond market performance. Allocations to alternatives are believed to potentially increase a portfolio's risk-adjusted return.

Virtually all traditional assets and strategies are relative return products that feature returns that are substantially correlated with those of traditional equities and bonds. Some alternative assets offer absolute returns. Absolute returns have little or no correlation with the returns of major asset classes.

An alternative investment program should be monitored relative to the goals established for the alternative investment program, not simply relative to a benchmark.

Pricing issues can materially distort reported returns and risk assessments of some alternative investments along with the associated risk metrics, such as betas, correlations, and Sharpe ratios.

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

**Closed End Fund:** A publicly traded investment company that invests in a variety of securities, like stocks and bonds. The fund raises capital primarily through an initial public offering (IPO).

CEF shares and the proceeds are invested according to the fund's investment objectives. "Closed" refers to the fact that, once the capital is raised, there are typically no more shares available from the fund sponsor and the issuance of new shares is closed to investors. After the IPO, every closed-end fund is listed on a national exchange, where its shares are purchased and sold in transactions with other investors, not with the sponsor company itself. When an investor wishes to purchase or sell shares of a closed-end fund, the investor finds buyers or sellers on an exchange such as the New York

Stock Exchange (NYSE) or the NASDAQ. The price is determined by market demand and supply, not the fund's net asset value (NAV).

**Commodities:** Commodities (e.g., metals, energy, livestock, and agricultural commodities) serve as a hedge against inflation, increase diversification, and can serve as a different source of return. Certain commodity investments such as gold and other precious metals may serve as safe havens in times of crisis and potentially protect against currency depreciation in certain scenarios. Like the prices of all assets, commodity prices are driven by supply and demand. So commodity prices should be expected to rise when demand rises or supplies fall. Increases in demand for most commodities coincide with increases in general economic activity. The consequence is that general physical commodity price levels are positively correlated with economic activity. Commodity prices tend to rise when the value of money falls (i.e., inflation occurs). The economic linkage is clear because commodity prices are an important component of broad price indexes and thus a positive correlation should exist between the prices of the component (commodity price levels) and the changes in the price index (inflation). Energy prices are a key driver of general commodity price levels, which in turn are a driver of wholesale and consumer prices. Energy investments are generally considered a real asset as such commodities are often correlated with inflation.

**Hedge Fund:** A hedge fund is a private investment and is subject to less regulation than mutual funds and many other comparable mainstream investment options. Hedge funds generally use skill-based strategies and can be managed more or less aggressively than a mutual fund with goals such as higher returns, lower market risk exposure, or better risk-adjusted returns. Hedge funds also have the ability to borrow. Applying leverage enables a strategy to amplify position exposure with the view of trying to exploit opportunities; however, this flexibility needs to be managed carefully to avoid undue market risk.

The following are some general characteristics of hedge funds: • They are often formed as a private investment pool and thus, can use leverage and more complex trading – hedge funds have the ability to invest long and short positions. • They measure their performance in absolute terms, or independent of markets and uncorrelated to any benchmark. • They usually charge both a management and incentive fee. • They generally require high minimum investments and are only available to accredited investors or qualified purchasers. • They are generally less liquid than mutual funds and may impose lock-up periods. • Hedge fund managers usually invest their own capital along with their clients.

#### Hedge Fund Terms:

**Absolute Return:** The return that an asset achieves over a period of time. The goal is to have a positive return, irrespective of market direction over a full market cycle. • **Derivatives:** Financial instruments whose value depend on the value of their underlying securities or assets. Examples of derivatives are options, warrants, futures, forwards, and swaps. • **Future:** A contract that provides for the sale of financial instruments or physical commodities for future delivery on a commodity exchange. • **Gate:** Restriction limiting the amount of withdrawals from the hedge fund during the redemption period. • **General Partner (“GP”):** The manager of the hedge fund that is given authority to make the fund’s investments. • **High-Water Mark:** The performance level a hedge fund manager would need to exceed in order to earn further incentive fees. The high-water mark is generally in excess of the fund’s highest prior performance level. This is to ensure the investor does not pay for covering the same ground twice. • **Hurdle Rate:** The return where the manager begins to earn incentive fees. • **Incentive Fee:** Manager compensation based on the performance of the investment. • **Leverage:** The use of borrowed money or securities to increase the potential return of a fund. • **Liquidity:** The degree to which a financial instrument can be sold or converted to cash. • **Limited Partner (“LP”):** A business partner whose liability is generally limited to the amount of capital they commit or invest. • **Lock-up Period:** Window of time during which investors of a hedge fund are not allowed to redeem or sell shares. • **Management Fee:** Manager compensation based on assets size. • **Prime Broker:** A broker that offers more services than a classic broker. Prime broking services might include back office operations, trade reconciliation, financing, record keeping, or custodian activities. • **R-Squared:** A measure of how closely a portfolio’s performance varies with the performance of a benchmark. • **Sharpe Ratio:** A measure of risk-adjusted return, calculated by dividing a fund’s return over the risk-free rate by the standard deviation of returns. See SEC notice: [https://www.sec.gov/files/ib\\_hedgefunds.pdf](https://www.sec.gov/files/ib_hedgefunds.pdf)

**Hedging:** A hedge, in its simplest form, is an investment intended to move in the opposite direction of an asset in a portfolio that can be at risk. A hedge provides inverse exposure. If the at-risk investment should decline in value, the hedge is designed to increase in value and offset potential losses in your portfolio.

Hedging is a flexible strategy. It can be applied broadly in an effort to help minimize loss across entire asset classes in your portfolio—to help shield your equity, fixed income, commodity and currency allocations. Hedging can also be more narrowly applied to shield individual sectors or even specific stocks. Used

strategically, portfolio hedging can become part a long-term investment strategy.

Deployed tactically, a hedge can be applied and removed as needed, without disturbing a core strategy or long-term goals, to help provide short-term shelter from adverse market events.

Hedging a portfolio can provide you with an alternative to selling in a down market, realizing investment losses, and potentially generating significant redemption fees, transaction costs and tax consequences.

Hedging strategies have unique risks, costs and consequences of their own (i.e., fund management fees, rebalancing costs, taxable events, result in losses, etc.).

#### *Why portfolio managers hedge?*

An effective hedge can help portfolio managers to avoid undesirable draw-downs and improve the risk-adjusted return of the portfolio. Hedging allows investors to reduce the risk to factors where the portfolio manager does not have a view (often market risk, event risk or factor risk) allowing the portfolio manager to increase their exposure to areas where they have strong views. Hedging market risk can allow a portfolio manager to be front-footed in times of market stress when others are forced to reduce position sizes. While un-hedged portfolio may have a higher total return over time, a hedged investor enjoys these externalities that allow their investment process to function normally in a wider variety of environments.

#### *Why hedge using options?*

Some assets like gold or bonds act are often inversely correlated with equities and can lower volatility when added to a portfolio; however, their inverse correlation also lowers the potential return in a symmetric fashion. Options on the other hand, offer investors the opportunity to hedge an asset price decline at a fixed cost while maintaining full upside exposure. The improved liquidity in the options market over the past decade, especially in ETF options provide many choices for investors to hedge different risks.

#### *Hedging vs portfolio diversification*

A hedged equity portfolio can offer a more flexible framework than a 60/40 portfolio. Portfolio managers can control the risk/return profile dynamically using options. In periods of high correlation between stocks and bonds (like 2022), diversification does not provide benefits to portfolio returns. Options strategies offer protection that is not directly tied to the performance of the underlying asset or combination of assets and the investor does not take the large basis risk that exists between asset classes

#### *What is the cost of the hedge?*

The hedging cost is an important consideration for the portfolio managers. Expensive hedges often provide protection in a wide variety of scenarios while low cost hedges limit the drag on portfolio returns. Designing the ideal hedge involves choosing the particular risk to hedge based on your fundamental view and finding the optimal instrument and structure to hedge that risk based on current options prices.

#### *Which hedging structure (Puts, Put Spreads or Put Spread Collars)?*

While puts can offer complete downside protection (tail hedge), put spreads can offer limited downside protection (say -5% to -20%) for a lower cost with upside participation. Hence, put spreads offer a cost-effective method to hedge against small draw-downs. Put spread collars involve buying a put spread, funded by selling a call; This provides protection in a range paid for by foregoing upside exposure beyond a specific level.

*When should investors use VIX or VIX calls instead of stock index puts for hedging?*

CBOE Volatility index (VIX) is negatively correlated to stock market index returns and VIX calls offer unique advantages over stock market puts as a hedging vehicle in specific scenarios. When investor expects future volatility to increase with only moderate price declines, VIX calls would act as a superior hedge compared to puts on the stock index. Additionally, if the stock market rallies after a put is initiated, the put becomes much less relevant for future modest equity price declines. In contrast, VIX calls would effectively hedge the above scenario as VIX might remain stable or marginally decline during the rally and the subsequent spike could provide a more relevant cushion for a portfolio.

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

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

**Master Limited Partnership (MLP):** A type of limited partnership that is publicly traded. There are two types of partners in this type of partnership: The limited partner is the person or group that provides the capital to the MLP and receives periodic income distributions from the MLP's cash flow, whereas the general partner is the party responsible for managing the MLP's affairs and receives compensation that is linked to the performance of the venture. The main distinction of the master limited partnership (MLP) relative to LPs is that interests in MLPs trade on an exchange. The pass-through tax status of MLPs is offered only in such industries as the energy sector and other classes of real assets, such as timber. In addition to its public trading, the MLP structure has a tax advantage.

Investors are taxed on profits, not on distributions. Generous tax deductions in such industries as energy (e.g., depletion allowances) mean that partnerships with high positive cash flows may have little or no taxable income. Distributions to the LPs are treated as distributions of capital and are not taxed when made. However, the distributions reduce the tax basis of the investors, which increases taxation when the position is liquidated. As a disadvantage, the LPs receive Form K-1, a partnership tax return known for its complexity. K-1s are often distributed on a delayed basis relative to other investment-related tax documents, such as 1099s. Investing in MLPs can lead to income tax liability for qualified funds and other tax-exempt entities, such as not-for-profits, because of the potential for the MLPs to generate unrelated business taxable income (UBTI). Also, substantial investments in MLPs can lead to the need to file income tax returns in multiple states.

Master Limited Partnerships (MLPs) are publicly listed limited partnerships that trade on a national securities exchange. Most MLPs have general partners and many limited partners (the investors). The general partners manage the MLPs' day-to-day operations, while the limited partners purchase shares in the MLP and provide capital in return for cash distributions from the entity's operations.

MLPs primarily focus on natural resource-related activities, including oil, gas, coal, timber, and certain ways of transporting commodities. While MLPs have historically paid higher distributions, investors should be aware of the complexity of the securities and the additional risks that are presented. MLPs may outperform or underperform common stock and other investment products.. MLPs are a pass-through entity: MLPs are considered a type of pass-through entity: a business

structured so that it is not subject to corporate taxation. However, the distributions to MLP unitholders are generally subject to income taxes. A key benefit of the partnership structure is that the income distributions are not taxed twice the way the dividends of a common stock are taxed. MLPs offer the potential for higher yields than bonds and stocks due in part to the favorable tax structure. Liquidity: Most MLPs are listed on national exchanges and are therefore typically more liquid than traditional partnerships.

MLPs have certain risks including complex tax consequences: MLPs must meet certain criteria, including earning at least 90% of its income in "qualifying income." Investors are typically issued a schedule K-1 document directly from the partnership. MLPs may incur Unrelated Business Taxable Income (UBTI) that could be taxable even within an IRA. Unrelated business taxable income is income earned by a tax-exempt entity, such as an IRA, that is not related to the exempt purpose of the tax-exempt entity. When an IRA is invested in an MLP or LP, it becomes a partner in the partnership. This is an ownership interest in the partnership. Becoming an owner (in part or in full) of a business (such as an MLP or LP) is not considered within the exempt purpose of the IRA. MLPs and LPs may generate taxable income in a retirement account if the partnership borrows money, also known as using leverage. An IRA is an exempt entity separate from the beneficial owner of the IRA and can be subject to taxation on its own. UBTI is subject to taxation in all varieties of retirement accounts, such as IRAs, retirement plans like Keoghs, and health savings accounts (HSA). When total positive UBTI across all applicable investments held in a retirement account equals \$1,000 or more, then Form 990-T must be filed. Investors should consult a qualified tax professional to learn more.

Additional MLP risks include but are not limited to interest rate risk: Due to the high distribution yields, MLPs are sensitive to changes in interest rates. Rising interest rates can make MLPs less attractive relative to traditional stocks; Volatility risk: MLPs have historically experienced higher volatility than stocks and bonds; Legislation risk: MLPs face a number of different legislative risks that could affect the attractiveness of the structure. These include changes to the tax code and Federal and State legislation that may affect the oil and gas industry.

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

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

**Opportunity Zone Funds:** Opportunity Zones are an economic development tool that allows people to invest in distressed areas in the United States. Their purpose is to spur economic growth and job creation in low-income communities while providing tax benefits to investors.

Under the Tax Cuts and Jobs Act of 2017 (Public Law No. 115-97). Thousands of low-income communities in all 50 states, the District of Columbia and five U.S. territories are designated as Qualified Opportunity Zones. Taxpayers can invest in these zones through Qualified Opportunity Funds.

Opportunity Zones offer tax benefits to investors who elect to temporarily defer tax on capital gains if they

timely invest those gain amounts in a Qualified Opportunity Fund (QOF). Investors can defer tax on the invested gain amounts until there is an event that reduces or terminates the qualifying investment in the QOF (an "inclusion event"), or December 31, 2026, whichever is earlier.

The length of time the taxpayer holds the QOF investment determines the tax benefits they receive.

- If the investor holds the QOF investment for at least five years, the basis of the QOF investment increases to 10% of the deferred gain.
- If the investor holds the QOF investment for at least seven years, the basis of the QOF investment increases to 15% of the deferred gain.
- If the investor holds the investment in the QOF for at least 10 years, the investor is eligible to elect to adjust the basis of the QOF investment to its fair market value on the date that the QOF investment is sold or exchanged.

### **Deferral of eligible gain**

Gains that may be deferred are called "eligible gains." They include both capital gains and qualified 1231 gains, but only gains that would be recognized for federal income tax purposes before January 1, 2027, and that aren't from a transaction with a related person. To obtain this deferral, the amount of the eligible gain must be timely invested in a QOF in exchange for an equity interest in the QOF (qualifying investment). Once this is done, taxpayers may make an election to defer the gain on their federal income tax return for the taxable year in which the gain would have been recognized if they had not deferred it. Taxpayers may make an election to defer the gain, in whole or in part. For additional information, see *(How To Report an Election To Defer Tax on Eligible Gain Invested in a QOF)* in the Form 8949 instructions.

**Investor reporting requirements:** Those who held a qualifying investment in a QOF at any point during the tax year must file Form 8997 with their timely filed federal tax return (including extensions). Failure to file the form will result in a rebuttable presumption of an inclusion event that terminates the qualifying investment in a QOF.

**Qualified Opportunity Fund:** A QOF is an investment vehicle that files either a partnership or corporate federal income tax return and is organized for the purpose of investing in QOZ property. To become a QOF, an eligible corporation or partnership self-certifies by filing Form 8996 with its timely filed federal income tax return (including extensions). A QOF must hold at least 90% of its assets, measured on two annual testing dates, in qualified opportunity zone property, or pay a monthly penalty for every month it is out of compliance. Further, the eligible entity that elected or is electing to be a QOF must file a completed Form 8996 annually with their timely filed federal tax return (including extensions) to report that the QOF meets the 90% investment standard or to figure the penalty if it fails to meet the investment standard. This is required even in years the corporation or partnership has no taxable income. See Form 8996 instructions. An LLC that chooses to be treated either as a partnership or corporation for federal income tax purposes can organize as a QOF.

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

**Private Credit:** Private credit, also known as private debt, generally refers to loans that are privately negotiated between a lender and a borrower. The asset class itself has grown substantially following the 2008 Global Financial Crisis as banks de-risked their balance sheets and tightened their lending standards.<sup>1</sup> The void left as a result was subsequently filled by non-bank (private) lenders. These alternative lenders serve borrowers and help investors seeking yield in a low interest rate environment. Private credit has the potential to provide higher yield opportunities than traditional fixed income investments, as it provides capital to borrowers at a premium due to the illiquid nature of private credit.

Key potential benefits of private credit for investors include: • Return premium from illiquidity • Persistent, large supply throughout cycles • Lower volatility relative to publicly traded equity and credit • Diversification benefits to traditional stocks and bonds • Lower sensitivity to interest rates due to floating rate terms • Softening of the J-Curve as the income component returns capital to investors earlier than other private market investments. Private credit consists of a wide variety of strategies often considered comparable to non-investment grade syndicated leveraged loans and high-yield bond markets. While these comparable securities are rated by a ratings agency and are relatively more liquid, private loans can be priced to include an illiquidity premium, which varies over time (e.g. 100-500 basis points). Additionally, given that borrowers seeking private financing have typically been unapproved, or are not able to access bank lending, the credit, while unrated, is typically below investment grade (e.g. B or BB equivalent). There are several reasons that borrowers may seek capital from non-bank lenders including: • Flexible structures • Confidentiality • Speed and certainty • Credit worthiness • Value-add lenders

While being potentially exposed to greater credit risk, private credit may exhibit lower volatility as loans are typically held by a single originator and a secondary market may not exist. Furthermore, those that do trade, may not trade with enough frequency or depth. This may result in less valuation adjustments compared to more frequently traded securities that are regularly marked-to-market. Yet, certain areas of private credit, such as those that invest in the distressed debt of highly syndicated offerings or distressed sovereign issuances, may mark-to-market quite often and demonstrate high volatility. For investors willing and able to tolerate illiquidity, private credit can potentially provide attractive relative and absolute returns compared to other credit investments, while providing a diversification benefit to traditional allocations.

Private credit covers a variety of different categories. Individual fund managers may focus on one or more of these and typically invest across industries or specialize within an industry. The most prevalent categories include: • Direct Lending: This category generally includes private corporate loans that may be backed by the future cash flows or specific assets of the company. In terms of a real estate company, loans may be collateralized by the physical property. Lending is typically in the form of senior, junior, or mezzanine debt. • Distressed & Special Situations: Lenders seek out companies that are undergoing financial difficulties or stresses, such as bankruptcy proceedings, with the intent of gaining control. By implementing an event-driven approach like this, lenders hope to benefit from a successful post-bankruptcy restructure/reorganization of the company, or from a loan-to-own strategy with the intent of becoming equity holders. Alternatively, they may follow a relative value approach whereby they look to capitalize on the belief that the publicly traded debt of a company is trading well below its par value and the manager's assessment of fair value. Special situations can include debt investments across the capital structure, trading in the secondary market, direct origination, or distressed debt. • Structured: Structured debt is typically used by companies that have highly specialized and specific needs. Additionally, structured debt helps borrowers mitigate the risk of underlying assets through the process of securitization. Collateralized loan obligations (CLO), asset backed securities (ABS), and mortgage-backed securities (MBS) are all examples of structured debt. • Specialty Finance: This category of nonbank lending covers a diverse range of asset types that have differing correlations to broad economic conditions. Debt within specialty finance typically gets classified by industry segment such as litigation finance, music/ film royalties, structured settlements, and infrastructure finance, amongst many others.

Private credit terms:

Business Development Company ("BDC"): A BDC is a closed-ended investment company formed for the purpose of helping smaller companies who don't have access to traditional sources of borrowing. BDCs can be public or private and are usually structured as a regulated investment company (RIC) for tax purposes. This makes them popular with income orientated investors who typically receive high dividend yields due to the requirement of a RIC to distribute at least 90% of their taxable income to shareholders.

Direct Lending: Senior loans made to midmarket companies without an intermediary. Direct loans may also include revolving credit lines, second lien loans, or untrenched facilities, the latter of which combines different debt instruments under a single umbrella.

Mezzanine Debt: Subordinated debt, generally with features of preferred equity like warrants, increase the

value of the debt. Mezzanine debt is often used in leveraged buyouts (LBOs).

**Origination Fees:** A fee earned by the lender for underwriting and making a loan. Origination fees are considered as a part of the return stream from private credit.

**Securitization:** The process whereby non tradable assets, such as mortgages and receivables, are packaged together to create a new security. The goal of securitization is to create liquidity for illiquid assets.

**Special Situations:** Debt investments made to companies that are typically experiencing some form of distress, or immediate catalyst, with the intent of gaining control. Special situations can include debt investments across the capital structure, trading in the secondary market, direct origination, or distressed debt. Distressed debt (i.e. bonds) are securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganizations and liquidation proceedings, with the anticipation that the company will emerge from its financial difficulties and become profitable again. Distressed investments may also incur litigation risks during the above processes. The risk of investing in distressed debt and securities is that the subject company's projected performance never takes place, and the securities bought may become worth less than the price paid for them.

**Paid In Kind ("PIK"):** Private lenders may issue credit at an assumed coupon rate, which in practice is not actually paid but rather "Paid In Kind." This means that the interest coupon that would have been due is actually added to the principal balance and due at maturity. Private lenders are able to offer this flexibility, typically at a premium cost of capital, to borrowers that otherwise do not have the current cash flow to service debt.

**Coupon:** The contractual periodic interest payment agreed to be paid by the borrower to the issuer.

**London Interbank Offered Rate ("LIBOR"):** A market benchmark rate which reflects the rates at which banks will make short term loans to another high credit quality bank. Many interest payments are pegged to LIBOR as a reference rate.

**Yield Curve:** A chart demonstrating the benchmark rate, such as U.S. Treasury rates, over multiple maturity dates.

**Private Equity:** Private equity is often used as an all-encompassing term to describe investment in a company not listed on an exchange i.e. a private company. Common categories of private equity include buyouts and venture capital, though it can also include growth equity, secondaries and distressed. Other forms of private investments include private credit, infrastructure and energy funds. While investors generally associate a higher risk/return to private equity relative to public markets, each of these sub-asset classes has varying risk profiles, return dynamics and liquidity constraints.

Private equity funds are typically structured as limited partnerships where the general partners ("GPs") generally oversee the investment of the fund's assets, manage the day-to-day operations of the fund, and serve the interests of limited partners ("LPs") that supply capital. LPs typically seek to benefit from the skill and expertise of the GP in not only selecting good investments, but also in providing incremental insights to company management to restructure and improve operating performance. For the life of the investment, the LP is generally considered a passive, or silent partner, having neither responsibilities beyond the capital it commits nor control over the timing of the investments or distributions.

Typically, private equity funds are structured as closed end vehicles with a life, or term, of at least 10 years. Some include several one-year extension periods that provide the GP with flexibility around the exit timing of investments. General partners have flexibility on when the term of the private equity fund begins. However, usual events where the term commences are at the fund's first close, final close or when the fund makes its initial capital call.

The J-Curve is a feature common to private equity investments, though often poorly understood. Not all private



investments will follow the J-Curve, but many investments have seen a similar trajectory. As Figure 3 shows, capital calls in early years of the investment produce negative cash flows. In addition, negative returns are common as management fees are paid without seeing a return on investment. This may take several years to turn positive as underlying investments are marked up to their current value or gains realized through exit transactions. Three reasons for this “J” trajectory include: • Management fees and expenses generally occur during the investment period and are greater than early investment returns. They impact the depth and duration of the J-Curve. Since management fees can be charged on the entire committed capital value, regardless of whether it has been called for or not, there is a negative cash flow associated with these charges. Additionally, certain expenses incurred by the GP to source and close deals are often borne by the fund. • GPs typically write off non-performing assets when they are identified, sometimes redeploying the capital into other opportunities. This can negatively impact performance in a fund’s early years. • Conservative managers are generally quick to write down underperforming investments, and they can also be slow to mark investments up. Sometimes managers are slow to adjust values leading to valuations that do not reflect volatility. The J-Curve effect is a mostly unavoidable feature in the structure of most private equity investments and is accepted as part of the return experience by long-term investors in the asset class. Educated investors in private equity understand the need for patience with early reported returns that are not indicative of potential long-term success from the investments.

### Private equity terms

**Capital Calls:** As the GP identifies opportunities and makes investment decisions, they will issue capital calls to LPs for all or a portion of their commitment. • **Carried Interest:** A profit sharing between the LPs and GPs. • **Commitment:** The amount of capital that each LP contractually agrees to provide to the fund. • **General Partners (“GPs”):** The professional investment managers that run the private equity fund and manage the fund’s day-to-day operations. While management fees are typically paid to the investment manager, carried interests are allocated to the general partner. • **Internal Rate of Return (“IRR”):** IRR is a money weighted performance measurement and commonly used to measure the performance of private equity investments because the GP controls the timing of the investments. • **Investment Period:** The time period over which the GP can add new portfolio companies to the fund. This period varies from fund to fund. In certain circumstances, GPs can recycle an investor’s capital during the investment period to enhance capital efficiency and improve returns. • **Limited Partners (“LPs”):** The investors in the private equity fund, such as Pensions, Endowments, HNW (high-net-worth) and UHNW (ultra-high-net-worth) Individuals, and Foundations. LPs generally have no input into the investment and exit decisions. Their liability is generally limited to the amount of capital they commit or invest. • **Management Fee:** A fee to the investment manager to provide capital to pay salaries and expenses associated with running the fund. • **Multiple on Invested Capital (“MOIC”):** A MOIC is another common way to measure private equity return. A simplistic example would be for an investor that invests \$100 into a fund and the fund later values that investor’s interest at \$150, or a 1.5x MOIC. • **Preferred Return:** A minimum amount the GP agrees to pay the LP before participating in any carried interest. • **Vintage:** Generally considered to be the year that the fund began investing capital. Vintage years are important to understand in terms of benchmarking and peer comparison given evolving market conditions over time.

**Private Real Estate:** Investments in real estate can be made in both the public listed markets or through private transactions. For public markets, access comes through either listed, publicly traded Real Estate Investment Trusts (“REIT”) on the equity side, or on the fixed income side with Commercial Mortgage-Backed Securities (“CMBS”) or Residential Mortgage-Backed Securities (“RMBS”). Publicly listed real estate investments have historically demonstrated increased market volatility and may not provide the diversification desired by an investor relative to traditional investments. Private real estate encompasses investment opportunities that are not available on an exchange, or otherwise generally available to the public.

Real estate is often considered a diversifying complement to a traditional asset portfolio given the general risk and return dynamics of the asset class that has historically exhibited lower correlations with traditional asset class returns.

Real estate can be separated into many different categories. Investors should consider where a select investment opportunity fits in terms of investment profile, sector type, and potential market attractiveness.

**Investment Profile**

- **Core:** Core assets typically consist of high quality assets with high levels of occupancy. Often, these properties are located in some of the strongest locations. Core assets often have lower levels of leverage on the property and are held for longer periods of time. These assets rarely require meaningful development or improvements to the property. Much of the return is derived from current income in the form of rent. Consequently, core assets typically have a lower risk/return profile.
- **Core Plus:** Core plus real estate assets are typically still high quality assets in strong markets, but likely require minor upgrades to increase occupancy or grow cash flows. Core plus managers may utilize a slightly greater amount of leverage on assets, resulting in a return profile that is derived equally from current income and capital appreciation, which can enhance risk.
- **Value-Add:** These investments typically require repositioning or redevelopment, but have existing tenants and current rental income. The majority of return typically comes from capital appreciation along with a supplemental current income component. Holding periods are typically shorter in these assets and moderate leverage is often utilized. Value-add real estate has moderate risk and reward dynamics.
- **Opportunistic:** Typically, special situation investments or distressed properties that may include: halted construction, bankruptcy, ground-up development, or heavy redevelopment. The majority of the return is expected from capital appreciation. There may be some current income but not much is expected, especially in the early period of the investment. Shorter holding periods are common as investors typically look to stabilize the asset and sell it to a core real estate buyer as soon as possible. These investments utilize more leverage to cover repositioning and development costs and to increase returns, which results in a higher risk/reward profile.

### *Sector Type*

- **Industrial:** Properties used for warehouse, e-commerce distribution centers, logistics, production and manufacturing.
  - **Retail:** Buildings where consumers buy goods or services. Brick and Mortar is commonly used to describe physical retail space.
  - **Multi-family:** Residential assets used to house multiple families, as compared to single home residential properties. Most commonly, these are apartment or condominium buildings but may include hotels and other more niche categories.
  - **Office:** Buildings used to conduct commercial and professional work. These assets typically have long leases from tenants.
- Other niche categories include the following:
- Storage
  - Medical Office
  - Senior Housing
  - Student Housing
  - Data Centers

The J-Curve is common to most private real estate investments. Capital calls in the early years of the investment generally produce negative cash flows. In addition, negative returns are common as management fees are paid without seeing a return on investment. This may take several years to turn positive as underlying investments are marked up to their current value or gains realized through exit transactions.

Distributions typically start several years after the investment phase begins and continue for multiple years thereafter. Real estate investments that produce current income from tenants can soften or mitigate the size of the J-Curve.

Three reasons for this “J” trajectory include:

- Management fees and expenses generally occur during the investment period and are greater than early investment returns. They impact the depth and duration of the J-Curve. Since management fees can be charged on the entire committed capital value, regardless of whether it has been called for or not, there is a negative cash flow associated with these charges. Additionally, certain expenses incurred by the GP to source and close deals are often borne by the fund.
- GPs are typically quick to address nonperforming investments, writing them off and redeploying the capital

into other opportunities. This can negatively impact performance in a fund's early years.

- Conservative managers not only quickly write down underperforming investments, they often also hold investments at cost, writing them up only after they have been realized through an exit transaction and value has been recognized.

The J-Curve effect is mostly unavoidable and generally accepted as part of the return experience by long-term investors in private real estate. To address it, investors must prudently manage other investments to make certain liquidity is available when the GPs call commitments and through patience with early reported returns that are not indicative of potential long-term success.

Private real estate investments can be made through a direct transaction for a single property, direct acquisition of a portfolio of assets, or through a diversified commingled fund. Commingled funds are typically structured as limited partnerships or REITs where the investment managers (typically the General Partner or GP, or an affiliate thereof) generally oversee the investment of the fund's assets, manage the day-to-day operations of the fund, and serve the interests of Limited Partners ("LPs") that supply capital. LPs typically seek to benefit from the skill and expertise of the GP in not only selecting good investments, but in providing incremental value creation to portfolio properties and to restructure and improve operating performance. For the life of the partnership, the limited partner is generally considered a passive, or silent partner, having neither responsibility beyond the capital it commits nor control over the timing of the investments or distributions. Private real estate funds can be open-ended, most often in the case of core or core plus real estate, or close-ended drawdown structures. Open-ended structures are commonly structured to allow quarterly subscriptions and quarterly redemptions. It should be noted, however, that real estate is a relatively illiquid asset class and it may take several quarters to fully redeem, even in the open-ended vehicles that offer liquidity. While many funds are formed as limited partnerships, others may be REITs, which have additional tax benefits along with more restrictions. REITs can invest in the equity of properties or they can hold a pool of mortgages, called a mortgage REIT. Some REITs, commonly referred to as hybrid REITs, will hold both equity and debt. REITs benefit from lower tax rates per the Tax Cuts and Jobs Act of 2017. To qualify as a REIT, 75% of all gross income in the vehicle must be from rental income, interest on mortgages financing real property, or sales of real estate and 90% of all taxable income in the vehicle is required to be paid as a dividend to investors.<sup>4</sup> Investors should consider dividend coverage ratios when evaluating REITs to ensure that the vehicle remains compliant with REIT requirements.

Drawdown structures are characterized by an investor committing a certain amount of capital to the fund with a predetermined fixed term life although generally subject to term extensions. The initial phase is commonly referred to as the commitment phase and is marked by the GP's capital raising efforts and investors committing capital. The investment phase (or investment period) commences once the GP starts drawing on investor capital commitments to invest in real estate deals and implement their strategy. During the investment phase, the GP accesses the limited partners' capital through what is known as a capital call. Capital is called as the GP identifies attractive investment opportunities in real estate assets. Capital can be called all at once or fractionally over time and is usually done over several years. The harvest phase generally begins once the required capital has been called and deployed into portfolio companies, though it can overlap with the investment phase when early investments are sold quickly or in the case of income producing assets.

The GP's focus and aims are on improving the fund's investments and ultimately exiting at a substantial profit. While less common in real estate, during the harvest phase, the GP may have the ability to exit early investments and either reinvest the proceeds into new properties or distribute capital to investors ("LPs"). Unlike open-ended funds and other alternative investments, such as hedge funds, where investors can generally direct the sale of their investment and receive the proceeds, private real estate investors receive their capital only when the GP decides to make a distribution, much like private equity.

Private real estate terms:

General Partners (“GPs”): The professional investment managers that manage the fund’s day-to-day operations. While management fees are typically paid to the Investment Manager, carried interests are allocated to the general partner.

- Limited Partners (“LPs”): The investors in the private fund, such as pensions, endowments, HNW and UHNW individuals, and foundations. LPs generally have no input into the investment and exit decisions. Their liability is generally limited to the amount of capital they commit or invest.
- Capital Calls: As the GP identifies opportunities and makes investment decisions, they will issue capital calls to LPs for all or a portion of their commitment.
- Commitment: The amount of capital that each LP contractually agrees to provide to the fund.
- Investment Period: The time period over which the GP can add new portfolio companies to the fund. This period varies from fund to fund. In certain circumstances, GPs can recycle an investor’s capital during the investment period to enhance capital efficiency and improve returns.
- Vintage: Generally considered to be the year that the fund began investing capital. Vintage years are important to understand in terms of benchmarking and peer comparison given evolving market conditions over time.
- Management Fee: A fee to the Investment Manager to provide capital to pay salaries and expenses associated with running the fund.
- Carried Interest: A profit sharing between the LPs and GPs.
- Preferred Return: A minimum amount the GP agrees to pay the LP before participating in any carried interest.
- Internal Rate of Return (“IRR”): A money weighted performance measurement and commonly used to measure the performance of private market investments because the GP controls the timing of the investments.
- Multiple on Invested Capital (“MOIC”): Another way to measure private real estate returns. A simplistic example would be for an investor that invests \$100 into a fund and the fund later values that investor’s interest at \$150, or a 1.5x MOIC.
- Net Operating Income (“NOI”): The income you generate annually from an income property after property expenses have been taken into consideration.
- Return on Investment (“ROI”): Calculated benefit of an investment, divided by its cost.
- Capitalization Rate: Refers to the Net Operating Income (NOI) divided by an income property’s current market value.
- Loan to Value Ratio (“LVR”): The percentage of an asset’s sale price or value attributed to financing.
- Real Estate Investment Trust (“REIT”): A real estate investment trust refers to a corporation that owns or finances income property.

**Registered 1940 Act Interval Fund:** An interval fund is a type of investment company that periodically offers to repurchase its shares from shareholders. That is, the fund periodically offers to buy back a stated portion of its shares from shareholders. Shareholders are not required to accept these offers and sell their shares back to the fund. Legally, interval funds are classified as closed-end funds, but they are very different from traditional

closed-end funds in that: Their shares typically do not trade on the secondary market. Instead, their shares are subject to periodic repurchase offers by the fund at a price based on net asset value. They are permitted to (and many interval funds do) continuously offer their shares at a price based on the fund's net asset value. An interval fund will make periodic repurchase offers to its shareholders, generally every three, six, or twelve months, as disclosed in the fund's prospectus and annual report. The interval fund also will periodically notify its shareholders of the upcoming repurchase dates. When the fund makes a repurchase offer to its shareholders, it will specify a date by which shareholders must accept the repurchase offer. The actual repurchase will occur at a later, specified date. The price that shareholders will receive on a repurchase will be based on the per share NAV determined as of a specified (and disclosed) date. This date will occur sometime after the close of business on the date that shareholders must submit their acceptances of the repurchase offer (but generally not more than 14 days after the acceptance date).

Note that interval funds are permitted to deduct a redemption fee from the repurchase proceeds, not to exceed 2% of the proceeds. The fee is paid to the fund, and generally is intended to compensate the fund for expenses directly related to the repurchase. Interval funds may charge other fees as well. An interval fund's prospectus and annual report will disclose the various details of the repurchase offer. Before investing in an interval fund, you should carefully read all of the fund's available information, including its prospectus and most recent shareholder report. Interval funds are regulated primarily under the Investment Company Act of 1940 and the rules adopted under that Act, in particular Rule 23c-3. Interval funds are also subject to the Securities Act of 1933 and the Securities Exchange Act of 1934.

**Separately Managed Accounts (SMAs):** In the most general sense, a separately managed account (SMA) is any portfolio of securities managed on behalf of a specific client by a professional. In the context of investment pools, SMAs can be used by a fund manager to provide access to the performance of the pool without investing in it by providing the same positions and trades to an investor on an individual basis. Unlike having an interest in an investment pool, an investor in an SMA directly owns the underlying assets. The SMA is thus flexible, transparent, and uniquely customized with respect to tax planning and liquidity needs. Furthermore, SMA investors avoid the potential problems (e.g., higher transaction costs and excess cash) inherent in investment pools when other investors disrupt the pool through large contributions or withdrawals.

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

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

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

**Regulation D Private Placement:** Private placements under Regulation D are a type of investment that is not publicly traded and is offered to accredited investors.

Regulation D (Reg D) is a set of rules established by the U.S. Securities and Exchange Commission (SEC) under the Securities Act of 1933. It provides exemptions from the registration requirements for certain private securities offerings. The purpose of Reg D is to raise capital for small businesses and startups by providing them with the ability to raise funds from accredited investors without having to go through the rigorous and costly process of a full public offering. Reg D provides three main exemptions from registration requirements: Rule 504, Rule 505, and Rule 506. While Reg D provides exemptions from registration, it doesn't mean that the offerings are exempt from all securities laws. Companies must still comply with anti-fraud provisions and provide accurate and complete information to investors.

#### *How Does a Private Placement Investment Work?*

Companies choose a specific Reg D exemption that aligns with their needs and investor criteria. They prepare legal documentation, including a private placement memorandum (PPM) that outlines the investment opportunity and risks. Depending on the exemption chosen, companies may verify the accredited investor status of potential investors and, if permitted, market the investment opportunity through general solicitation. Interested investors review the PPM, commit funds through a subscription agreement, and upon reaching a target, the company closes the offering. Raised funds are used for stated business purposes, and ongoing communication with investors is maintained. It's crucial to comply with regulations and involve legal and financial experts to navigate this process successfully.

Reg D private placements provide streamlined fundraising for companies by exempting them from full SEC registration. After selecting an exemption, companies create a PPM, possibly verify investor status or solicit investors, receive commitments, and close the offering. Investors' informed decisions are based on the PPM and subscription agreement. Post-closing, companies allocate funds for designated purposes, uphold communication with investors, and adhere to ongoing regulatory obligations. To navigate the complex legal landscape, consulting experts is vital to ensure compliance and optimize the benefits of this approach.

Examples of Private Placements include Limited Liability Companies (LLC), Non-Traded Real Estate Investment Trust (REIT), Hedge Funds, Equipment Leasing Agreements, Tenants-in-Common, 1031 DST (Delaware Statutory Trust), Oil and Gas Limited Partnerships, and Non-traded Business Development Company (BDC).

#### *The Risks of Investing in Private Placements under Reg D*

Private Placements under REG D are typically conducted through private placement memoranda (PPMs), which provide detailed information about the company, its business plan, financials, and associated risks.

While they can offer potentially high returns, there are several risks associated with investing in Reg D private placements, including:

- Limited liquidity:** Reg D private placements are not publicly traded, so there is limited liquidity for investors. This means that it can be difficult to sell your investment if you need to access your funds quickly. Generally, most securities acquired in a private placement will be restricted securities. You should not expect to be able to easily and quickly resell your restricted securities. In fact, you should be prepared to hold the securities indefinitely. There are two principal things to think about before buying restricted securities. The first is that unless you have made arrangements with the issuer to resell your restricted securities as part of a registered offering, you will need to comply with an exemption from registration to resell. One rule investors commonly rely on to resell restricted securities requires you to hold the restricted securities for at least a year if the company does not file periodic reports (such as annual and quarterly reports) with the SEC and six months if the company does file periodic reports with the SEC. Most private companies that issue private placements do not file these periodic reports. You may wish to hire an attorney to help you comply with the legal requirements to resell restricted securities. Issuers may require a legal opinion that you satisfy an exemption to resell your restricted securities. The second thing to think about is whether the securities are easy to sell when you wish to do so. When

attempting to resell securities in private companies, keep in mind that these securities will not be as liquid as securities that trade on a stock exchange. Unlike with a publicly traded company, information about a private company is not typically available to the public, and a private company may not provide information to you or your buyer. Any restricted status of your securities may also transfer to your buyer. For these reasons, it will generally be more difficult to find buyers compared to selling stock of a public company on a stock exchange. In addition to these considerations, you may be required to enter into one or more contracts or agreements when investing that may contain provisions that restrict or prevent you from freely transferring the securities.; Lack of transparency: Private companies are not required to disclose the same level of information as publicly traded companies, so investors may not have access to all the information they need to make informed decisions; High risk: Private placements are generally considered to be high-risk investments because they are often offered by startup companies or companies with a limited operating history. These companies may have a higher risk of failure or may be more susceptible to market fluctuations; Limited regulatory oversight: Reg D private placements are exempt from many of the regulations that govern publicly traded securities, so investors may have limited legal recourse if something goes wrong; Potential for fraud: Because private placements are not subject to the same level of regulatory oversight as publicly traded securities, there is a greater risk of fraud or misrepresentation. You should be aware that it may be difficult or impossible to recover the money you invest in an offering that turns out to be fraudulent. Private placements may offer investment returns. However, the attractive potential rewards often come with high risks of loss.

Potential investors in a Reg. D private placement should read Private Placements under Regulation D – Investor Bulletin before investing: <https://www.sec.gov/oiea/investor-alerts-and-bulletins/private-placements-under-regulation-d-investor-bulletin>. More information is available on this website: <https://www.sec.gov/education/capitalraising/exemptofferings>.

**Tail Risks:** Allocating across a diversified range of asset classes can help manage overall portfolio risk. From time to time, however, severe market shocks may occur that are so extreme and unexpected they trigger widespread declines and can devastate a portfolio strategy. The “tail” in tail risk refers to the end sections of the bell-shaped curve that illustrates the probability distribution of events. In the context of investments, the extreme left-hand side of the bell-shaped distribution represents the lowest returns, e.g. large losses, whereas the right-hand side represents the highest returns. The goal of tail-risk protection is to asymmetrically protect against left-hand events (those which are loss making) while maintaining participation in those events on the right (which are profit making). There are a number of ways that investors can attempt to limit tail risk—including using derivatives such as put options, utilizing dynamic allocations, or simply choosing sectors and asset classes that are less volatile. Periods of financial stress have appeared with more frequency than many investors might think, and on an increasingly global scale. By some estimates, over the past three decades significant market shocks have occurred about every three to five years, resulting in “fatter” tails than a normal curve would predict. These unexpected systemic shocks quickly spread panic across markets, creating a downward spiral of declines across a broad spectrum of even previously uncorrelated investments. Since they are so widespread and their magnitude so difficult to predict, left tail events can have a devastating impact on portfolio returns – and potentially impede investors’ ability to achieve their financial objectives. Risk reduction strategies may have some near-term costs, but over time, they are designed to hypothetically enhance return potential in certain market scenarios by mitigating losses during large market declines and allowing investors to take greater risks elsewhere in their portfolios.

Tail risk hedging can be an appropriate strategy to help investors pursue their objectives, without having to significantly adjust their risk and/or return expectations after a market crisis. Hedging strategies may have some near-term costs, but over time, they are designed to enhance return potential by: Mitigating losses when a market storm hits; Providing liquidity in a crisis, allowing investors to buy assets at fire-sale prices as others are forced to sell and allowing investors to take greater risks elsewhere in their portfolios. Ultimately, the potential to add value during a crisis may more than prove the worth of tail risk hedging over the long term.

There are a number of ways investors can employ tail risk hedging. One method is to limit asset allocation risk by weighting portfolios to less volatile sectors. Another method is keeping asset allocation constant, then complementing it with strategies such as equity puts, credit protection, currency and interest rate options along with Exchange Traded Products and mutual funds that employ such strategies and instruments.

Strategies involving derivatives present special risks. It can be difficult to close out derivatives positions in certain market conditions, and with certain derivatives, it's possible to lose more than the principal of the investment. Even though the idea of tail risk hedging that aims to profit from a market down is alluring, it is critical to remember that tail risk hedging and other similar trading or risk hedging strategies have their flaws. Some of the most important drawbacks of tail risk hedging are: The tail risk event has a statistically very low probability of occurrence and it may also never happen. The investments secured in put options to protect the portfolio may backfire if the market trends upwards or worse, it trends sideways. The hedging strategy involving put options (the most common and preferred tail risk hedging tactic) is complicated and difficult to manage. A tail risk strategy can incur additional losses rather than minimize them.

**Volatility:** Volatility describes the speed of change in price movements in a security. Volatility matters because it provides a way to receive returns from an asset class that is not solely reliant on interest rate policy, dividends, or necessarily price appreciation.

Exposure to volatility as an asset class can be expressed through ETFs and ETNs and can be utilized to reduce portfolio risk via hedging. A hedge is an investment intended to move in the opposite direction of an asset that's considered to be at risk in a portfolio. A hedge provides inverse exposure so if the at-risk investment should decline in value, the hedge is designed to increase in value and offset potential losses in a portfolio.

During periods of market price declines, portfolios with volatility exposure tend to outperform long equity strategies. Hedging allows investment managers to reduce short-term equity risk and lower portfolio volatility. More specifically, the ability to externalize short-term price risk allows investors to better utilize existing capital, either by: (1) retaining assets that should outperform over the long run but may experience short-term dislocations from fundamentals or (2) investing more aggressively. Investors potentially benefit from the reduced portfolio volatility.

There is no perfect hedge. Unlike other asset classes that have tended to increase in price over long periods of time, volatility has tended to revert to a long-term average over time. As such, any gains from investments in volatility may be constrained and subject to unexpected reversals as volatility reverts to its long-term average. Volatility ETFs and ETNS have historically reflected significant costs associated with rolling VIX futures contracts on a daily basis. These costs can consistently reduce returns over time.

Volatility and the investment vehicles used to gain exposure to the asset class can be highly volatile.

## A. Regatta in-house portfolios

- 1) Clipper Aggressive Growth
- 2) Clipper Mini
- 3) Mariner Moderate Growth
- 4) Mariner Mini
- 5) Stable Dynamic Growth
- 6) Constitution Taxable Growth
- 7) Income
- 8) Alternative Income



- 9) Total Return
- 10) ETF
- 11) Jefferson National No Load Annuity Aggressive Tax Deferred Growth
- 12) Jefferson National No Load Annuity Moderate Tax Deferred Growth
- 13) Structured Capital at Risk [SCARP] Structured Product
- 14) Capital Protected [non-SCARP] Designed for Capital Appreciation
- 15) TransAmerica Advisor Elite
- 16) Retire One with Transamerica Rider
- 17) Great West
- 18) LSA Private Client Portfolios
- 19) Custom Portfolios

### **1) Clipper**

Objective: To potentially achieve capital appreciation and to mitigate tail risks during periods of market weakness over a full market cycle (bull and bear market).

Although the primary focus is on stocks, this unconstrained, active aggressive strategy may invest in any asset class or strategy based on market conditions, including bond, currency and commodities markets. The strategy may also invest in domestic, foreign, emerging markets individual country and sector funds.

This strategy may seek to hedge, reduce excessive market volatility, and attempt to limit large drawdowns during periods of market weakness by utilizing tail risk strategies, stop losses; and investments with reduced correlations to stock benchmark. This strategy has the flexibility to hold both long positions, which benefit from rising prices, and short positions, which benefit from price declines.

Based on market conditions and the relative attractiveness of the investment set at the time, the strategy has the flexibility to invest in undiversified, concentrated positions and employ dynamic trading strategies to potentially generate superior risk adjusted returns over a multi-year period.

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (22), (23), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36), (41), (43), (45): See relevant Table

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

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

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

### **2) Clipper Mini-** A potentially more concentrated strategy of Clipper for smaller accounts.

Objective: See Clipper

### **3) Mariner**

Objective: To potentially generate capital appreciation while attempting to mitigate excessive downside volatility relative to a 100% unhedged equity portfolio over a full market cycle (bull and bear market). The strategy may change its allocation based on market conditions. This unconstrained portfolio tends to have lower portfolio turnover than the Clipper portfolio. It also tends to invest in larger, more diversified vehicles as opposed to sector or niche areas. This strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), factor, or region. The portfolio may also use alternatives such as risk parity strategies, tactical asset allocation, dynamic equity allocation and hedging strategies etc. to attempt to periodically mitigate downside volatility.

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (22), (23), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36), (41), (43), (45): See relevant Table

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

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

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

- 4) **Mariner Mini:** A potentially more concentrated version of the Mariner strategy for smaller accounts (due to potential minimum investment size restriction from certain investment providers).

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

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (22), (23), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36), (41), (43), (45): See relevant Table

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

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

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

## **5) Stable Dynamic Growth**

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

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

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

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

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

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

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **6) Constitution Moderate Growth Taxable**

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

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (22), (23), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36), (41), (45): See relevant Table

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

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **7) Income**

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

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

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

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

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

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

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **8) Alternative Income**

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

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

Strategies Utilized: (A): See relevant Table

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (22), (23), (25) (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36): See relevant Table

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

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **9) Total Return**

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

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

Strategies Utilized: (A): See relevant Table

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

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

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

Custodians Utilized: (1) See relevant Table

Notes: (b) See relevant Table

## **10) Exchange Traded Fund (ETF)**

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

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (22), (23), (25) (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36): See relevant Table

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

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

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

## **11) Jefferson National No Load Annuity Aggressive Growth**

Objective: To potentially achieve superior capital appreciation on both a relative and risk- adjusted basis over a multi-year period by investing in a wide range of annuity sub- accounts. This

unconstrained strategy can invest in any sector, market capitalization (Large, Medium, Small and Micro), style (Value, Growth, or Blend), region or country, as well as sub accounts that go long or short, etc. This strategy may have high portfolio turnover. This strategy may also occasionally utilize leveraged annuity sub-accounts. This strategy may also short, hedge, or utilize spreads.

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (23), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (36): See relevant Table

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

Custodians Utilized: Jefferson National

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

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

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

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

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (20), (21), (22), (23), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (36): See relevant Table

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

Custodians: Jefferson National

## **13) Great-West Financial**

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

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

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

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

relevant Table.

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (20), (21), (22), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (36): See relevant Table

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

Custodians: Great-West Financial

#### **14) Structured capital-at-risk (non-SCARP) designed for potential variable current income**

Objective: This portfolio is designed to potentially generate higher returns than a direct investment in the underlying in certain market scenarios. An investor's entire initial capital may be placed at risk.

Investment Vehicles: (12): See relevant Table

Strategies Utilized: (B): See relevant Table

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

Risks: [Wrapper, underlying and payoff]: (1), (2), (3), (4), (6), (7), (8), (9), (10), (11), (12), (14), (15), (16), (17), (18), (19), (20), (21), (22), (23), (24), (25), (26), (27), (28), (31), (35), (36), (37) See relevant Table

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

Custodians Utilized: (1) See relevant Table

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

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

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

Strategies Utilized: (B): See relevant Table

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

Risks [Wrapper, underlying, and payout]: (1), (2), (3), (4), (6), (7), (8), (9), (10), (11), (12), (14), (15), (16), (17), (18), (19), (21), (22), (23), (24), (25), (26), (27), (28), (31), (35), (36), (37) See relevant Table

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

Custodians Utilized: (1) See relevant Table

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

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

Investment Vehicles: (7): See relevant Table

Strategies Utilized: (A): See relevant Table

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (36), (39): See relevant Table

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

Custodians Utilized: TransAmerica

## **17) Retire One model with Transamerica rider**

Objective: To provide dynamically exposure to multiple asset classes over the full market cycle and if available the potential periodic “locking” of an investor’s potential retirement income profits provided Transamerica’s rider requirements are met. Investment Vehicles: (7): See relevant Table

Strategies Utilized: (A): See relevant Table

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

Risks: (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (36), (40)  
See relevant Table

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

Custodians Utilized: Fidelity

## **18) LSA Private Client Portfolios**

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

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

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

Variables utilized in management of relevant portfolio:

The LSA process is comprised of three steps:

*1. Manager Selection.* First, LSA utilizes Returns-Based-Style-Analysis to screen mutual funds and ETFs. From those meeting their returns criteria, they utilize quantitative filters to identify those managers that display similar characteristics of the overall investment philosophy of LSA.

A few of these characteristics include but are not limited to:



- A. A manager's ability to consistently provide excess returns above an appropriate market and style benchmark.
- B. Provide better risk/return characteristics versus an appropriate market and style benchmark.
- C. The demonstration of better performance in down market moves.
- D. The investment company's ability to comply with all qualitative measures deemed appropriate by LSA.

2. *Asset Class and Manager Optimization.* LSA models are built based on two essential components. The strategies begin with "Efficient Frontier" theories and are overlaid with a tactical component from their investment committee. LSA utilizes the "Efficient Frontier" classical portfolio theory used by many investment managers in their asset allocation decisions. According to the theory, whenever an investor has a collection of diversified, uncorrelated assets, an "Efficient Frontier" can be built. This is to say, it will have the highest expected return for any given level of risk. LSA provides further enhancement to the traditional "Efficient Frontier" theory by utilizing the Black-Litterman modeling system that provides two distinct differences:

- A. This modeling system implements the "Capital Asset Pricing Model" theory that allows LSA to incorporate more asset classes in our modeling system.
- B. Black-Litterman also allows for the implementation of investment committee forward-looking projections given the current market conditions. This ability allows LSA to provide a tactical component to our strategies that allows us to focus and manage based on current economic conditions.

3. *Ongoing Review and Monitoring.* LSA provides daily, weekly, monthly, and quarterly updates with:

- A. Regular rebalancing to maintain the proper allocations.
- B. Ongoing adjustments to our models and strategies based on LSA's view of global markets.
- C. Forward looking, proactive, institutional investment research. .

Past performance is no guarantee of future results. Investments are subject to risk, and any of LSA's investment strategies may lose money.

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

Fees: (1) See relevant Table

#### A. *Capital Preservation Plus*

Portfolio Objective: Utilizes income and other stable value investments to minimize exposure to market risk. The primary goal of this strategy is the preservation of capital.

However, the (CPP) strategy does allow for a small allocation to equities when market conditions allow. Long term target returns are 6-8% with less than 30% of market risk represented by the S&P 500 Index. The Capital Preservation Plus (CPP) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests

approximately 80% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 20% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 20% in either direction. Thus, based on its target percentage allocation of approximately 20% of assets in equity underlying funds and 80% in fixed-income underlying funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 0%/100% and 40%/60%. Although variations beyond the 20% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *B. Income First*

**Portfolio Objective:** This allocation is designed for stability with an approach to minimize exposure to high risk investments without fully limiting the opportunity for growth. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 40% of market risk represented by the S&P 500 Index. The Income Plus (IP) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 70% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 30% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 20% in either direction. Thus, based on its target percentage allocation of approximately 30% of assets in equity underlying funds and 70% in fixed-income underlying

funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 10%/90% and 50%/50%. Although variations beyond the 20% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *C. Conservative Growth*

**Portfolio Objective:** Its primary objective is to balance a desire for return with a concentrated focus on safety measures. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 50% of market risk represented by the S&P 500 Index. The Conservative Growth (CG) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 60% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 40% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 20% in either direction. Thus, based on its target percentage allocation of approximately 40% of assets in equity underlying funds and 60% in fixed-income underlying funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 20%/80% and 60%/40%. Although variations beyond the 20% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *D. Moderate Growth*

**Portfolio Objective:** Its primary objective is to balance a desire for return with a balanced focus on safety measures. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 60% of market risk represented by the

S&P 500 Index. The Moderate Growth (MG) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 50% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 50% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 20% in either direction. Thus, based on its target percentage allocation of approximately 50% of assets in equity underlying funds and 50% in fixed-income underlying funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 30%/70% and 70%/30%. Although variations beyond the 20% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *E. Growth*

Portfolio Objective: This allocation's primary objective is to balance a desire for safety measures with a concentrated focus on growth. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 70% of market risk represented by the S&P 500 Index. The Growth (GR) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 40% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 60% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 15% in either direction. Thus, based on its target percentage allocation of approximately 60% of assets in equity underlying funds and 40% in fixed-income underlying funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 75%/25% and 45%/55%. Although variations beyond the 15% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *F. Growth Plus*

Portfolio Objective: This allocation's primary objective is growth, but is designed to protect a portion of the portfolio during periods of market decline. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 80% of market risk represented by the S&P 500 Index. The Growth Plus (GRP) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 20% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 80% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 15% in either direction. Thus, based on its target percentage allocation of approximately 80% of assets in equity underlying funds and 20% in fixed-income underlying funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 95%/5% and 65%/35%. Although variations beyond the 15% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *G. Aggressive Growth*

Portfolio Objective: This allocation has the greatest potential for market ups and downs in

exchange for the potential for higher returns. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 90% of market risk represented by the S&P 500 Index. The Aggressive Growth (AGG) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 10% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 90% in underlying funds that invest primarily in equity securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 10% in either direction. Thus, based on its target percentage allocation of approximately 90% of assets in equity underlying funds and 10% in fixed-income underlying funds, the portfolio may have an equity/fixed income underlying fund allocation ranging between 100%/0% and 80%/20%. Although variations beyond the 10% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *H. Tactical Allocator*

**Portfolio Objective:** This allocation's primary objective is growth, but is designed to protect a portion of the portfolio during periods of market decline. The primary goal of the strategy is the preservation of capital and promotion of growth. Long term target returns are 6-8% with less than 80% of market risk represented by the S&P 500 Index. The Tactical Allocator (TA) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 60% of its assets in underlying funds that invest primarily in core positions (fixed-income/domestic equities/international equities) and approximately 40% in underlying funds that invest primarily in alternative securities.

Variations in the target percentage allocation between underlying funds that invest primarily in core securities and underlying funds that invest primarily in alternative securities are permitted up to 10% in either direction. Thus, based on its target percentage allocation of approximately 70% of assets in core underlying funds and 30% in alternative underlying funds, the portfolio may have an core/alternative underlying fund allocation ranging between 80%/20% and 60%/40%. Although variations beyond the 10% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

#### *I. Income Focused*

**Portfolio Objective:** This allocation is designed for income and stability with an approach to minimize exposure to high risk investments without fully limiting the opportunity for growth.

The primary goal of the strategy is to target a 4-6% income while preserving capital and promoting growth. Long term target returns are 6- 8% with less than 40% of market risk represented by the S&P 500 Index. The Income Focused (IF/IS) Strategy operates utilizing mutual funds and/or ETF's and, except as otherwise described below, normally invests approximately 50% of its assets in underlying funds that invest primarily in fixed-income securities and approximately 50% in underlying funds that invest primarily in equity and alternative securities.

Variations in the target percentage allocation between underlying funds that invest primarily in equity securities and underlying funds that invest primarily in fixed-income securities are permitted up to 15% in either direction. Thus, based on its target percentage allocation of approximately 25% of assets in equity underlying funds, 55% in fixed-income underlying funds, and 15% in alternative underlying funds the portfolio may have an equity/fixed income/alternative underlying fund allocation ranging between the portfolio constraints listed below. Although

variations beyond the 15% range are generally not permitted, the strategy may determine in light of market or economic conditions that the normal percentage limitations should be exceeded to protect the strategy or to achieve its goal.

## **21) Custom Portfolios**

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

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

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

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

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

Risks: Depending on the nature of the custom investments and portfolio, the Client will be subject to some or all of the following risks. (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (23), (24), (25), (26), (27), (28), (29), (30), (31), (32), (33), (34), (35), (36), (37), (38), (39), (40), (42), (43), (45), (46): See relevant Table

## **B. Third Party Managers**

### **Third Party Managers (Separately Managed Accounts): Equity**

1) Beaumont Financial Partners:

Illustrative risks: (1), (3), (5), (7), (8), (9), (100), (11), (12), (14), (15), (19), (21), (22), (23), (27), (32), (36)

Third Party Managers (Separately Managed Accounts): Conventional Fixed Income

1) PIMCO

2) Eaton Vance- Parametric Portfolio Associates

Illustrative risks: (1), (2), (4), (5), (18), (19), (22), (23), (25), (26), (27), (36),

### **Third Party Managers: Hedge Funds**

1) Carlson Black Diamond Arbitrage Fund

2) CAIS Millennium

3) iCapital Millennium

4) Evanston Alternative Opportunities

Illustrative risks: (1), (2), (3), (5), (6), (7), (8), (9), (10), (11), (12), (14), (15), (16), (17), (18), (19), (20), (21), (24), (25), (27), (28), (32), (35), (36), (41), (42), (43)

### **Third Party Managers: Private Equity**

1) AMG Pantheon

2) Knightsbridge Venture Capital

3) CAIS Mercer Private Equity

4) Flowstone Opportunity Fund

#### 5) KKR Infrastructure Conglomerate LLC

Illustrative risks: (1), (3), (7), (8), (9), (10), (11), (12), (13), (15), (16), (17), (18), (19), (20), (21), (22), (24), (25), (26), (27), (29), (36), (45), (46), (48)

#### **Third Party Managers: Private Credit**

1. Carlyle Tactical Private Credit
2. Reverence Capital Partners Opportunities Fund
3. Davidson-Kempner Opportunities Fund
4. Monroe Capital Income Plus Corporation
5. KKR Asset Based Finance
6. Carlyle Tactical Private Credit
7. Canyon Distressed Opportunity Fund III

Illustrative risks: (2), (7), (8), (10), (12), (13), (17), (18), (19), (20), (22), (24), (25), (26), (27), (28), (29), (36), (45), (46), (47), (48)

#### **Third Party Managers: Real Estate Equity**

1. Bluerock Total Income real estate fund

Illustrative risks: (1), (7), (13), (17), (18), (19), (20), (22), (23), (24), (25), (26), (27), (36), (45), (48)

#### **Third Party Managers: Real Estate Credit**

- 1) Broadmark Funds
- 2) Third Point Private CRE Credit Fund
- 3) CMMTP-2 LP

Illustrative risks: (1), (2), (7), (12), (13), (17), (18), (19), (20), (24), (25), (26), (27), (36), (47), (48)

#### **Third Party Managers: Opportunity Zone Funds (QOF)**

1. CIM OZ fund
2. Related OZ fund

Illustrative risks: (1), (7), (13), (17), (18), (19), (20), (22), (23), (24), (25), (26), (27), (36), (45), (48), (49)

#### **Non-publicly traded REITs**

1. Lightstone
2. Inventrust
3. Highlands

Illustrative risks: (1), (7), (10), (12), (13), (17), (18), (19), (20), (22), (24), (25), (26), (27), (36), (38), (47), (48).

Illustrative risks of fixed annuities: (51)

The risks for the aforementioned third party managers and strategies are meant to highlight key risks. They are meant to be illustrative rather than exhaustive. Additional and complete costs and risks are disclosed in each third party managers Form ADV, Part 1 and 2, and associated disclosure documents,

## Material Risks Table

There are numerous risks involved in investing. The ones listed below apply to both managed and custom portfolios are meant to be illustrative, rather than exhaustive. Additionally, more detailed information on risks can be found in each fund's prospectus, limited partnership, structured products, non-publicly traded REIT's, etc. prospectus and/or other related disclosure documents. Visit [www.SEC.gov](http://www.SEC.gov) and [www.FINRA.org](http://www.FINRA.org) for a thorough overview of investing and its concepts. The Client acknowledges that he or she has read and is fully cognizant of the risks described herein as well as the risks declared in prospectuses and other relevant disclosure documents and has visited SEC and FINRA websites and independently reviewed and made sure they understand the general and specific investing concepts and risks of the different investment vehicles and strategies their portfolio will be invested in before investing.

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

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Stock, bond, real estate, commodity, and currency markets fluctuate substantially over time and may go up or down, sometimes rapidly or unpredictably. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously even if the performance of those asset classes is not otherwise historically correlated. Securities may decline in value due to factors affecting securities or credit markets generally or particular industries represented in the securities markets. The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The value of a security may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Investments may also be negatively impacted by market disruptions and by attempts by other market participants to manipulate the prices of particular investments.

In addition, as the COVID 19 and 2008 Great Financial Crisis related market declines have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss on the assets we manage that may be out of our control. We cannot guarantee any level of absolute or relative performance to any benchmark. We cannot guarantee you will not experience a loss of your account assets. Your participation in any of the management programs offered by Regatta or third party managers will require you to be prepared to bear the entire risk of loss, fluctuating performance, and potential underperformance.

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

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

(2) Fixed income risks: Fixed income strategies may focus on maintaining a portfolio of debt securities or other instruments that pay either a fixed or a floating rate of interest. Other fixed income strategies focus

on debt securities that provide tax-advantaged interest payments, such as municipal bonds. Some fixed income strategies focus on debt securities of either short or long duration or on debt securities of a particular credit quality, such as investment grade or below investment grade bonds. Other fixed income strategies are designed to seek preservation of principal while providing sufficient liquidity and maximizing current income. Fixed income strategies may also focus on debt securities issued by the United States government or debt securities issued by foreign governments or denominated and paying interest in foreign currencies. Fixed income strategies may employ derivative strategies to achieve exposures, to enhance returns or for hedging purposes.

Income investment strategies involve a number of material risks. The specific risks associated with a particular fixed income strategy depend on the approaches used and the extent to which the strategy employs certain portfolio management techniques or invests in financial instruments other than debt securities.

There are numerous risks associated with investing in fixed income securities. Not all of these risks apply to each fixed income strategy:

- General fixed income risk: Economic and other events (whether real or perceived) can reduce the demand for certain income securities or for investments generally, which may reduce market prices and cause the value of a Client portfolio to fall. The frequency and magnitude of such changes cannot be predicted. Certain securities and other investments can experience downturns in trading activity and, at such times, the supply of such instruments in the market may exceed the demand. At other times, the demand for such instruments may exceed the supply in the market. An imbalance in supply and demand in the market may result in valuation uncertainties and greater volatility, less liquidity, wider trading spreads and a lack of price transparency in the market. No active trading market may exist for certain investments, which may impair the ability of Regatta to sell or to realize the full value of such investments in the event of the need to liquidate such assets. Adverse market conditions may impair the liquidity of some actively traded investments.
- Call risk: If a fixed income security is callable, an issuer may exercise its right to redeem the security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that an Account has invested in, the Account may not recoup the full amount of its initial investment and may be forced to reinvest in lower yielding securities, securities with greater credit risks or securities with other, less favorable features.
- Convertible and preferred securities risk: Convertible and preferred securities are subject to the usual risks associated with income securities, such as interest rate risk and credit risk. Convertible securities may also react to changes in the value of the common stock into which they convert, and are thus subject to equity market risk. A convertible security may be converted at an inopportune time, which may decrease a portfolio's return
- Corporate debt securities risk: Corporate debt securities include corporate bonds, debentures, notes (which are transferable securities listed or traded on a regulated market) and other similar corporate debt instruments, including convertible securities. Debt securities may be acquired with warrants attached. Corporate income-producing securities may also include forms of preferred or preference stock. The rate of interest on a corporate debt security may be fixed, floating or variable, and may vary inversely with respect to a reference rate. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the USD and a different currency or currencies. In addition, corporate debt securities may be



highly customized and as a result may be subject to, among others, liquidity risk and pricing transparency risks. Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. In addition, certain corporate debt securities may be highly customized and as a result may be subject to, among others, liquidity and pricing transparency risks. Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities.

- Credit risk: Investments in debt obligations are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from, a Client portfolio. The value of a fixed income security also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. In addition, the credit ratings of debt obligations may be lowered if the financial condition of the party obligated to make payments with respect to such instruments changes. Credit ratings assigned by rating agencies are based on a number of factors and do not necessarily reflect the issuer's current financial condition or the volatility or liquidity of the security. In the event of bankruptcy of the issuer of debt obligations, a Client portfolio could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing the instrument. In order to enforce its rights in the event of a default, bankruptcy or similar situation, a Client may be required to retain legal or similar counsel at its own expense. Municipal obligations may be insured as to principal and interest payments. If the claims-paying ability or other rating of the insurer is downgraded by a rating agency, the value of such obligations may be negatively affected. In the case of an insured bond, the bond's rating will be deemed to be the higher of the rating assigned to the bond's issuer or the insurer.
- Duration risk: Duration measures the expected life of a fixed-income security, which can determine its sensitivity to changes in the general level of interest rates. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. A portfolio with a longer dollar-weighted average duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter dollar-weighted average duration. Duration differs from maturity in that it considers a security's coupon payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration.
- Foreign and emerging market bond risk: Investing in foreign bonds has its own risks such as default risk, political risk and currency risk. Political risk such as instability within the government or perhaps a regime change is also a risk
- Interest rate risk: In general, the value of income securities will fluctuate based on changes in interest rates. The value of these securities is likely to increase when interest rates fall and decline when interest rates rise. Generally, securities with longer durations are more sensitive to changes in interest rates than shorter duration securities. Because the Client portfolio is managed toward an income objective, it may hold more longer duration obligations and thereby be more exposed to interest rate risk than municipal income funds that are managed with a greater emphasis on total return. In a rising interest rate environment, the duration of income securities that have the ability to be prepaid or called by the issuer may be extended. In a declining interest rate environment, the

proceeds from prepaid or maturing instruments may have to be reinvested at a lower interest rate.

- Lower rated investment risk:** Investments rated below investment grade and comparable unrated investments (“junk bonds”) have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment may lose significant value before a default occurs. Lower rated investments generally are subject to greater price volatility and illiquidity than higher rated investments. Portfolios that invest in high yield securities and unrated securities of similar credit quality (commonly known as “high yield securities” or “junk bonds”) may be subject to greater levels of credit risk, call risk and liquidity risk than funds that do not invest in such securities. These securities are considered predominately speculative with respect to an issuer’s continuing ability to make principal and interest payments, and may be more volatile than other types of securities. An economic downturn or individual corporate developments could adversely affect the market for these securities and reduce a portfolio’s ability to sell these securities at an advantageous time or price. An economic downturn would generally lead to a higher non-payment rate and a high yield security may lose significant market value before a default occurs. High yield securities structured as zero-coupon bonds or pay-in-kind securities tend to be especially volatile as they are particularly sensitive to downward pricing pressures from rising interest rates or widening spreads and may require an Account to make taxable distributions of imputed income without receiving the actual cash currency. Issuers of high yield securities may have the right to “call” or redeem the issue prior to maturity, which may result in the Account having to reinvest the proceeds in other high yield securities or similar instruments that may pay lower interest rates. In addition, the high yield securities in which an Account invests may not be listed on any exchange and a secondary market for such securities may be comparatively illiquid relative to markets for other more liquid fixed income securities. Consequently, transactions in high yield securities may involve greater costs than transactions in more actively traded securities. A lack of publicly available information, irregular trading activity and wide bid/ask spreads among other factors, may, in certain circumstances, make high yield debt more difficult to sell at an advantageous time or price than other types of securities or instruments. These factors may result in Regatta being unable to realize full value for these securities and/or may result in an Account not receiving the proceeds from a sale of a high yield security for an extended period after such sale, each of which could result in losses. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high yield securities, especially in thinly-traded market. When secondary markets for high yield securities are less liquid than the market for other types of securities, it may be more difficult to value the securities because such valuation may require more research, and elements of judgment may play a greater role in the valuation because there is less reliable, objective data available.

Because of the risks involved in investing in high yield securities, investments in such securities should be considered speculative.
- Inflation-indexed security risk:** Inflation-indexed debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation (real interest rates). In general, the value of an inflation indexed security, including Treasury inflation-protected securities, tends to decrease when real interest rates increase and can increase when real interest rates decrease. Thus generally, during periods of rising inflation, the value of inflation-indexed securities will tend to increase and during periods of deflation or falling inflation, their value will tend to decrease. Interest payments on inflation-indexed securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. There can be no assurance that the inflation index used (i.e., the Consumer Price Index (“CPI”)) will accurately measure the real rate of inflation in the prices of goods and services. Because municipal and corporate inflation-

indexed securities are a small component of their respective bond markets, they may be subject to liquidity risk.

- Maturity risk: Interest rate risk will generally affect the price of a fixed income security more if the security has a longer maturity. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities. The average maturity of a Client portfolio will affect the volatility of the portfolio's rate of return.
- Municipal securities risk: Municipal securities are issued by or on behalf of states, territories, possessions and local governments and their agencies and other instrumentalities, and may be secured by the issuer's general obligations or by the revenue associated with a specific capital project. Both "general obligation" municipal bonds and "revenue" bonds are subject to interest rate, credit and market risk, and uncertainties related to the tax status of a municipal bond or the rights of investors invested in these securities. The ability of an issuer to make payments could be affected by litigation, legislation or other political events or the bankruptcy of the issuer. In addition, imbalances in supply and demand in the municipal market may result in a deterioration of liquidity and lack of price transparency in the market. At certain times, this may affect pricing, execution, and transaction costs associated with a particular trade. The value of certain municipal securities, in particular obligation debt, may also be adversely affected by right health care costs, increasing unfunded pension liabilities, changes in accounting standards, and by the phasing out of federal programs providing financial support. Municipal securities may be less liquid than taxable bonds and there may be less publicly available information on the financial condition of municipal securities issuers than for issuers of other securities. The secondary market for municipal securities also tends to be less well-developed or liquid than many other securities markets, a by-product of lower capital commitments to the asset class by the dealer community, which may adversely affect Regatta's ability to sell municipal securities it holds at attractive prices or value municipal securities. More specifically, the spread between the price at which an obligation can be purchased and the price at which it can be sold may widen during periods of market distress. Less liquid obligations can become more difficult to value and be subject to erratic price movements. Lower rated municipal bonds are subject to greater credit and market risk than higher quality municipal bonds.
- Sector risk: A fixed income portfolio may invest a significant portion of its assets in a particular company, economic sector, state and/or U.S. territory, etc., and, as a result, the value of a portfolio may fluctuate more than that of a more broadly diversified Client portfolio with a greater risk of loss.

See Understanding Bond Risk at [www.FINRA.org](http://www.FINRA.org) and Interest Rate Risk – When Interest Rates Go Up, What Are Corporate Bonds, What Are High Yield Bonds, What Are Bond Funds and The ABCs of Credit Ratings at [www.SEC.gov](http://www.SEC.gov)

(3) Equity securities risks: Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Equity securities also include, among other things, common stocks, preferred stocks, convertible stocks and warrants. The values of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Equity securities generally have greater price volatility than most fixed income securities. Additionally, issuers that have paid regular dividends may decrease or eliminate dividend payments in the future, which may result in a decrease in the value of the security and/or an investor receiving less

income. In addition, portfolios that invest in equities issued by companies that have paid regular dividends to shareholders may decrease or eliminate dividend payments in the future. A decrease in dividend payments by an issuer may result in a decrease in the value of the security held by a portfolio or by receiving less income. In addition, equity securities with higher dividend yields may be sensitive to changes in interest rates, and as interest rates rise, the prices of such securities may fall.

(4) Passive investment risk: A passive investment is not actively managed and securities will not be sold due to current or projected underperformance of a security, industry or sector, unless that security is removed from the Index or the selling of shares of that security is otherwise required upon a reconstitution of the Index in accordance with the relevant index's methodology. A passive investing strategy can result in large losses during market declines. A passive investment invests in securities included in, an index, regardless of their investment merits. Examples include the S&P 500 index, the MSCI World Stock index, and the iShares MSCI Emerging Markets ETFs.

(5) Active and quantitative management risks: Quantitative investment techniques and analyses may be used in whole or in part in making investment decisions for a Client portfolio, but there can be no assurance that these will achieve the desired results. Client portfolios that use quantitative management are highly dependent on quantitatively-based pricing theories and valuation models that generally have not been independently tested or otherwise reviewed.

(6) Rules-based strategy risks: Certain strategies and investments may utilize rule based investment vehicles and analyses in making investment decisions, seeking to achieve total return while minimizing exposure to market risk. Also, called dynamic allocation strategies, these investment strategies have not been independently tested or validated, and there can be no assurance that they will achieve the desired results. Such strategies may experience a lag in a rising market and not fully benefit from a rising trend. They also be adversely affected by sudden, high velocity, declines and market shocks such as was experienced during the 1987 stock market crashes and COVID-19. Such strategies may also be whipsawed in volatile non-trending markets resulting in absolute losses or underperforming relative to a benchmark. PacerTrendPilot and VanEck Vectors Lg/Flat Trend ETFs are representative investment vehicles of this type of strategy.

(7) Sector risks: Companies with similar characteristics, such as those within the same industry, may be grouped together in broad categories called sectors. To the extent an underlying fund invests its assets in a particular sector, the fund's performance may be more susceptible to any economic, business or other developments that generally affect that sector.

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

For additional reading see International Investing at [www.SEC.gov](http://www.SEC.gov).

(9) Technology investment risks: Mutual funds, annuity sub-accounts, ETPs, stocks and bonds, private fund managers, structured products, etc. which invest predominately in shares or obligations of technology companies are subject to intense competition and may have limited product lines, markets, financial resources or personnel. Due to rapid technological developments and frequent new product introductions, technology companies bear the additional risk of product introduction or product obsolescence as well as dramatic and often unpredictable changes in growth rates and competition for

qualified personnel. These companies are heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability. Technology stocks also tend to be extremely volatile relative to the overall market.

(10) Value investing risks: Mutual funds, annuity sub-accounts, ETPs, stocks and bonds, etc. which invest predominately in shares or obligations considered to be “value” attempt to identify investments that a portfolio manager believes to be undervalued. Value stocks typically have prices that are low relative to factors such as the company’s earnings, cash flow or dividends. Value investing carries the risk that the market will not recognize a security’s intrinsic value for a long time, or that a stock deemed to be undervalued may actually be appropriately priced. “Value” investments can react differently to issuer, political, market and economic developments than the market as a whole and other types of stocks. A value investing style may perform better or worse than equity portfolios that focus on growth stocks or investments that have a broader investment style.

(11) Growth investing risks: Strategies which invest primarily in stocks of growth companies are subject to the risk of underperforming the overall stock market during periods in which stocks of growth companies are out of favor and generate lower returns than the market as a whole.

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

(13) Real estate risks: Real estate investments, including real estate investment trusts (“REITs”), and private funds are subject to special risks associated with real estate, including but not limited to the following: adverse changes in domestic or international economic conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; decreases in consumer confidence; changes in prices for key commodities or products; increases in the availability of supply of property relative to demand; changes in availability of debt financing; increases in interest rates, the incidence of taxation on real estate, occupancy rates, energy prices and other operating expenses; liabilities under environmental and hazardous waste laws changes in such environmental laws and regulations, land use, planning and zoning laws and other governmental rules and fiscal policies; changes in the relative popularity of properties; risks due to the dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; acts of God, uninsurable losses and other factors which are beyond the control of the Company. In addition, as recent experience has demonstrated, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values. Finally, changes in underlying real estate values may have an exaggerated effect to the extent that certain strategies concentrate investments in particular geographic regions or property types such as hotels, multi-family, opportunity zones, etc.

(14) Precious metals, resource, and commodity investment risks. Mutual funds, stocks, ETPs, etc. that invest predominately in shares of many companies engaged in exploration, recovery, refinements and the sale of natural resource commodities such as gold, silver, platinum, palladium, crude oil, refining, grains, etc. tend to reflect the changing values of the commodities and therefore are subject to substantial volatility. There are numerous risks associated with investing in commodities and commodity linked investments, including, but not limited to the following: commodities and commodity linked investments are affected by events that might have less impact on the values of stocks and bonds. Investments linked to the prices of commodities are considered speculative. Prices of commodities and related contracts may

fluctuate significantly over short periods for a variety of factors, including: changes in supply and demand relationships, the value of the commodity, the overall money supply, central bank buying and selling, market volatility, the commodity index or other economic variable, interest and yield rates in the market, the weather, agriculture, trade, fiscal, monetary, and exchange control programs, disease, pestilence, embargoes, tariffs and international economic, political, military and regulatory developments. Exposure to commodities and commodities markets may subject a Client portfolio to greater volatility than investments in traditional securities. No active trading market may exist for certain commodities investments, which may impair the ability to sell or to realize the full value of such investments in the event of the need to liquidate such investments. In addition, adverse market conditions may impair the liquidity of actively traded commodities investments.

Commodity-linked instruments have substantial risks, including the risk of losing your entire principal. Commodity-linked notes are subject to credit risks on the underlying investment and to counter-party credit risk as well as valuation risk.

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

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

<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P124119>

<http://www.finra.org/Newsroom/NewsReleases/2011/P124214>

(15) Currency risk: In general, the value of investments in, or denominated in, foreign currencies increase when the U.S. dollar is weak (i.e., is losing value relative to foreign currencies) or when foreign currencies are strong (i.e., are gaining value relative to the U.S. dollar). When foreign currencies are weak or the U.S. dollar is strong, such investments generally will decrease in value. The value of foreign currencies as measured in U.S. dollars may be unpredictably affected by changes in foreign currency rates and exchange control regulations, application of foreign tax laws (including withholding tax), governmental administration of economic or monetary policies (in the U.S. or abroad), intervention (or the failure to intervene) by U.S. or foreign governments or central banks, and relations between nations. A devaluation of a currency by a country’s government or banking authority will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets and currency transactions are subject to settlement, custodial and other operational risks.

(16) Derivatives risk: The use of derivatives can lead to losses because of adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative such as a structured product, due to failure of a counterparty or due to tax or regulatory constraints. Derivatives may create economic leverage, which magnifies the portfolio’s exposure to the underlying investment. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a cash investment position, rather than solely to hedge the risk of a position. A decision as to whether, when and how to use derivatives or the investment in vehicles employing involves the exercise of specialized skill and judgment, and a transaction may be unsuccessful in whole or in part because of market behavior or unexpected events. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and a portfolio may lose more than the principal amount invested.

Derivative instruments traded in over-the-counter markets may be difficult to value, may be illiquid, and may be subject to wide swings in valuation caused by changes in the value of the underlying instrument,

particularly during periods of market stress. If a derivative counterparty is unable to honor its commitments, the portfolio may decline and/or could experience delays in the return of collateral or other assets held by the counterparty. The loss on derivative transactions may substantially exceed the initial investment. Certain strategies such as those employed by hedge fund commodity trading strategies, and even simple hedging techniques may use derivatives extensively directly or through a vehicle such as an ETF or mutual fund.

(17) Counter party credit risk: An investment could lose money if the issuer or guarantor of a security (including a security purchased with securities lending collateral), the counterparty to a derivatives contract, a structured product issuer, repurchase agreement or a loan of portfolio securities, or the issuer or guarantor of collateral, is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to honor its obligations. The downgrade of the credit of a security or of the issuer of security held by the Account may decrease its value. Securities are subject to varying degrees of credit risk, which is often reflected in credit ratings potentially significantly, which could result in a total loss of your investment. A portfolio's average credit quality may not accurately reflect the risk of the portfolio, especially if it consists of securities with widely varying credit ratings. Therefore, a portfolio with an average credit rating that suggests a certain credit quality may in fact be subject to greater credit risk than the average would suggest, especially during periods of high market volatility. This risk is greater to the extent the portfolio uses leverage or derivatives in connection with the management of the portfolio.

(18) Interest rate risk: Interest rate risk is the risk that fixed income securities, stocks, real estate, structured products, and other instruments in portfolio will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain such securities held by a portfolio is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and a portfolio may lose money as a result of movements in interest rates. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. The values of equity and other non-fixed income securities may also decline due to fluctuations in interest rates. Inflation-indexed bonds including Treasury Inflation-Protected Securities

("TIPS"), decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation indexed bonds may experience greater losses than other fixed income securities with similar durations.

Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. Inverse floating rate securities may decrease in value if interest rates increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a portfolio holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the value of the investment. Dividend-paying equity securities, particularly those whose market price is closely related to their yield, may be more sensitive to changes in interest rates. During periods of rising interest rates, the values of such securities may decline, which may result in investment losses. A portfolio's average duration may not accurately reflect the interest rate risk of the portfolio, especially if the portfolio consists of securities with widely varying durations. Regatta may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. Additionally, any hedges may not work as intended. Rising interest rates could also affect the value of an investment.

Convexity is an additional measure used to understand a security's or Account's interest rate sensitivity. Convexity measures the rate of change of duration in response to changes in interest rates. With respect to a security's price, a larger convexity (positive or negative) may imply more dramatic price changes in response to changing interest rates. Convexity may be positive or negative. Negative convexity implies that interest rate increases result in increased duration, meaning increased sensitivity in prices in response to

rising interest rates. Thus, securities with negative convexity, which may include bonds with traditional call features and certain mortgage-backed securities, may experience greater losses in periods of rising interest rates. Accordingly, investments holding such securities may be subject to a greater risk of losses in periods of rising interest rates.

(19) Inflation and deflation risk: An investment may be subject to inflation and deflation risk. Inflation risk is the risk that the present value of assets or income of an investment will be worth less in the future as inflation decreases in the present value of money.

Specifically, it refers to the possibility that rising prices associated with inflation could outpace the returns delivered by your investments.

Rising inflation will influence future returns across asset classes. Inflation can also result in the value of certain assets such as stocks and bonds in particular experiencing increased volatility and lower prices.

In general, assets with fixed, long-term cash flows tend to perform poorly when inflation is rising, since the purchasing power of those future cash flows falls over time. Conversely, commodities and assets with adjustable cash flows (e.g., property rental income) may perform better with rising inflation.

Effect of inflation on fixed income investments: Typically, investors buy fixed income securities such as corporate or municipal bonds, treasuries and CDs because they want a stable income stream in the form of interest payments. However, since the rate of interest remains the same on most fixed income securities until maturity, the purchasing power of the interest payments declines as inflation rises. As a result, bond prices tend to fall when inflation is increasing. One explanation is that most bonds make fixed interest, or coupon payments. Rising inflation erodes the purchasing power of a bond's future (fixed) coupon income, reducing the present value of its future fixed cash flows. Accelerating inflation is even more detrimental to longer-term bonds, given the cumulative impact of lower purchasing power for cash flows received far in the future.

Effect of inflation on stocks: In theory, a company's revenues and earnings should increase at a similar pace as inflation. This means the price of your stock should rise along with the general prices of consumer and producer goods, although the relationship is not particularly strong. High periods of inflation over an extended period of time can lead to significant stock declines such as was experienced during the 1970s.

Effect of inflation on real assets: In general, real assets, such as commodities and real estate, tend to have a positive relationship with inflation. Commodities have historically been a reliable way to position for rising inflation. Inflation is measured by tracking the price of goods and services which often contain commodities directly, as well as products closely related to commodities. Energy-related commodities like oil have a particularly strong relationship with inflation. Industrial and precious metals also tend to rise when inflation is accelerating. However, this is not always the case. For example, higher interest rates can lead to an increase in the U.S. Dollar, which can result in commodities declining in spite of inflation. Regarding real estate, property owners can often increase rent payments when prices of goods and services are rising, which can flow through to profits and investor distributions. However, this is not always the case. High inflation can result in higher and more difficult to access credit, which can offset the increase in rents, and cause real estate to decline.

Deflation risk is the risk that prices throughout the economy decline over time creating an economic recession, which could make large numbers of assets fall in value and issuer defaults more likely. To many economists, deflation is more serious than inflation because deflation is more difficult to control. When deflation drags on for too long, companies' profits begin to decline. Economic conditions (such as excess supply) force companies to sell their products for even cheaper and subsequently cut back on production costs, reduce employee wages, lay off workers or even close production facilities. At this point, unemployment will increase, the economy cannot expand and people aren't spending their money because



their economic future seems uncertain. Equity and other asset prices may begin to decline as people sell off their investments. Deflation is sometimes considered worse than inflation, because in times of inflation, governments curb spending and encourage saving by increasing interest rates.

However, as governments do the opposite to encourage spending during deflation, they cannot lower the nominal interest rates to a negative level, or below zero. Central banks in areas affected by deflation can only move the rate by a certain amount, potentially resulting in a dangerous economic condition.

(20) Valuation risk: The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had readily available market quotations been available for such securities. As a result, the values placed on such securities may differ from values placed on such securities by other investors and from prices at which such securities may ultimately be sold. Where appropriate, third-party pricing information, which may be indicative of, or used as an input in determining, fair value may be used, but such information may at times not be available regarding certain assets or, if available, may not be considered reliable. Even if considered reliable, such third party information might not ultimately reflect the price obtained for that security in a market transaction, which could be higher or lower than the third-party pricing information. Disruptions in the credit markets have from time to time resulted in a severe lack of liquidity for many securities, making them more difficult to value and, in many cases, putting significant downward pressure on prices. Such valuation risk can materially reduce the accuracy of estimating losses in a maximum drawdown or risk mitigation strategy. Also, with any maximum strategy drawdowns, one can exceed the maximum drawdown target, particularly during periods of market volatility due to a gap in prices.

(21) Foreign investment risk: Foreign investment risk arises when investing in securities and other investments that are economically tied to countries with developing economies (often referred to as emerging market securities). These securities may present market, credit, currency, contractual, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign countries. Emerging market securities are often more vulnerable to market and economic events than are developed market securities. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on such countries' economies and securities markets.

(22) Tax risk: The tax treatment of investments held in a portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. For Example, income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities or non-compliant conduct of a bond issuer. A portion of a portfolio's income may be taxable to shareholders subject to the federal alternative minimum tax. The treatment of capital gains in a qualified Opportunity Zone fund (QOF) may also be changed in the future.

(23) Tax-managed investing risk: Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. A tax-managed strategy may cause a Client portfolio to hold a security in order to achieve more favorable tax-treatment or to sell a security in order to create tax losses. Some types of investments such as MLPs or private credit may be subject to being taxed as Unrelated business taxable income (UBTI) even if it is a qualified account. UBTI is money earned by a tax-exempt entity that's not related to its tax-exempt purpose.

UBTI prevents or limits tax-exempt entities from engaging in activities that are unrelated to their primary purposes. The most common causes for a UBTI tax is a retirement account is if it is invested in businesses that generate income classified as "business income" associated with LLCs or partnerships. Another primary income that can trigger UBIT is real estate purchased within the tax-exempt IRA that is debt-financed. The ability to utilize various tax-management techniques will vary

and may not be successful.

(24) Issuer/Sponsor diversification risk: Strategies and funds that focus their investments on a small number of issuers or sponsors for example, structured products and private funds, are generally more susceptible to concentrations risks than a more diversified strategy might be.

(25) Concentrated investments risks: Concentrated investment risk means that investment performance may be subject to greater or amplified losses that may occur from having a low portion of your holding in a particular investment asset class, market segment, or investment relative to your overall portfolio. For additional reading see Concentrate on Concentration Risk at [www.FINRA.org](http://www.FINRA.org).

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

(27) Model risk: There are no assurances that any of the portfolio management, asset allocation, dynamic stock/bond/cash allocation, or maximum drawdown assessment models, tail risk and hedging strategies, or those of any third party managers it offers will achieve the intended results, maximize returns, minimize risk, or be appropriate for an investor seeking a particular risk/return profile.

(28) Hedging and shorting risks: In an effort to protect certain portfolios against adverse market conditions, RR&MM and certain third party managers may (but are not obligated to) employ hedging techniques or to attempt to speculate on declining asset prices by shorting. Hedging is a strategy theoretically designed to reduce investment risk. Investment risk may be theoretically reduced by directly or indirectly using call or put options or by short selling or by investing in vehicles such as mutual funds or ETFs that employ such strategies. A hedge can theoretically help lock in profits and to potentially reduce the volatility of a portfolio by reducing the risk of loss. Rather than buying individual stocks or options directly, Regatta may invest in mutual funds, annuity sub-accounts, ETFs or in some cases structured products that "short" the stock market, or segments of the market, and even U.S. government bonds, as well as mutual funds and ETPs that "hedge" against market volatility. It may also include buying mutual funds that are both long and short i.e. the manager attempts to have a portion of the portfolio in stocks that will appreciate if the segment invested in rises and a portion of the portfolio in investments that should appreciate if the underlying investment falls in value. Buying mutual funds, annuity sub-accounts, ETPs, etc. that short the market or segments of the market and are linked to a particular market index or segment of the market are subject to an inverse correlation risk when the underlying benchmark rises; a result that is the opposite from traditional equity mutual funds. The fund, ETF, or stock's loss on short sales is limited only by the maximum attainable price of the security (which could be limitless) less the price paid for the security at the time it was borrowed. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a portfolio may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, volatility, the effectiveness of such hedges, or the cost of such hedges may result in a poorer overall performance than if it had not entered into such hedging transactions. There can be no assurance that the hedging strategy will reduce risk or that hedging transactions will be either available or cost effective. Regatta is not required to use hedging and may choose not to do so.

For additional reading, see Investor Bulletin: An Introduction to Short Sales @ [www.SEC.gov](http://www.SEC.gov).

(29) Leverage risks: In certain strategies, Regatta may occasionally utilize leveraged investments such as

ETPs and mutual funds to hedge other "long" or "short" positions, engage in spread trades, or if Regatta Client's determine that circumstances are favorable, for speculative purposes. Leverage provides exposure to certain securities in excess of 100%. Such exposure will make a portfolio more sensitive to movement in the value of those instruments. The risks of a leveraged position is that, in market conditions adverse to the portfolio, the portfolio could result in losses being larger than they otherwise would have been.

(30) Inverse ETF and mutual fund risk: Inverse strategies are designed to potentially profit during or protect a portfolio from declines. Designed to increase in value as the benchmark or stock they follow falls inverse ETFs and mutual funds are frequently used to hedge equity and bond holdings. Successful investment in such vehicles can result in reduced losses and lower volatility.

Inverse vehicles are non-diversified and entail certain risks, which may include risk associated with the use of derivatives (swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance.

Inverse ETFs and mutual funds may also be leveraged. Leverage can increase market exposure and magnify investment risk. For example, leveraged vehicles may seek returns that are a multiple of (e.g., -1x or -2x) the return of a benchmark (target) for a single day, as measured from one NAV calculation to the next. Due to the compounding of daily returns, such leveraged vehicles returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period. These effects may be more pronounced in funds with larger or inverse multiples and in funds with volatile benchmarks.

(31) Trading risk: Trading systems utilized by Regatta are primarily computer based. Regatta's strategies are dependent to a significant degree on proper functioning of its internal computer systems. Systems failures, whether due to third party failure upon which such systems are dependent or the failure of hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Such failures may result from events including 'acts of God' and domestic or international terrorism. Any such failure and consequential inability to trade (even for a short time) could, in certain market conditions, cause portfolios to experience trading losses or to miss opportunities for profitable trading. Moreover, trading in OTC markets expose Clients to risks not applicable to trading on organized exchanges. Trading on non-U.S. exchanges and markets exposes Clients to risks not normally applicable to trading on U.S. markets and exchanges. Finally, increases in assets under Regatta's management may have an adverse effect on its trading execution

(32) Turnover/frequent trading risk: A change in the securities held by an investment strategy is known as "portfolio turnover." Higher portfolio turnover is a result of frequent trading and involves correspondingly greater expenses to a portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also represent tax risk. The trading costs and tax risk associated with portfolio turnover may adversely affect a portfolio's performance, particularly on a post-tax basis in taxable accounts.

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

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

(35) Risks involved in option investing: Both the purchase and the writing of options contracts involve a

high degree of risk, and mutual funds and Exchange Traded Products that invest in options are not suitable for all investors. The price of an options contract is affected by various factors such as the relationship between the exercise price and the market price of the underlying security, implied volatility, the expiration date of the option and the price fluctuations or other characteristics of the underlying stock. Investors directly investing in options or indirectly via mutual funds or ETFs that do may experience

additional risks and potential risk of loss that investors would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The Exchanges or other regulatory bodies may restrict transactions in particular options or the exercise of options contracts in their discretion from time to time. All index option exercise are settled by cash payment and not by the delivery of securities; and all index option exercises are based on the closing index value and that any "in-the-money" index options exercised prior to the availability of the closing index value face the risk of closing out of the money due to a subsequent adverse change in the index value, etc. Clients should also make sure they download and understand the "Characteristics and Risks of Standardized Options" document available at [www.optionsclearing.com](http://www.optionsclearing.com).

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

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

Prior to maturity the price of the structured product may be influenced by the issuer's financial condition, volatility, interest rates, etc. as well as many of the same risk factors that affect the underlying asset it is linked to. Such uncertainty materially reduces the ability to accurately assess any maximum drawdown overlay.

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

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

1. Variable bid and offer spreads: Wide spreads may result during periods of market volatility or

when the sell size is large and/or thinly traded or highly customized, utilizing a proprietary index or when the issuer's hedging risk is large. This can materially reduce the ability to assess risk levels in the portfolio.

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

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

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

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

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

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

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

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

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

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

Illustrative articles include but are not limited to the following:

1. SEC: Structured Notes with Principal Protection: <http://www.sec.gov/investor/alerts/structurednotes.htm>

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

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

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

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

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

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

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

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

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

of the insolvent bank's assets and liabilities, including liabilities such as capital protected structured product in CD wrapper, without the approval or consent of the beneficial owners of the CDs. The transferee depository institution would be permitted to offer beneficial owners of the CDs the choice of (i) repayment of the capital amount of the CDs or (ii) substitute terms, which may be less favorable.

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

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

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

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

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

#### FDIC coverage exclusions

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

Any gains, unaccrued interest, premiums paid on the secondary market, amounts exceeding the FDIC insurance limits, and depending on its structure, any minimum return features prior to the maturity date, are subject to the credit risk of the issuer or guarantor. Any of the aforementioned or additional exclusions not covered by FDIC insurance are considered to be the senior unsecured debt obligations of the issuer or guarantor. Thus, they are subject to the ability of the issuer to guarantee these amounts. If the issuer defaults on its obligation or files for bankruptcy, an investor may sustain a loss for the amounts not covered.

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



Illustrative articles include but are not limited to the following:

1. FDIC: Market Linked CDs:  
<http://www.fdic.gov/consumers/consumer/news/cnspr12/marketlinkedcds.html>
2. FDIC: CDs: <http://www.fdic.gov/deposit/deposits/certificate/index.html>
3. Securities and Exchange Commission: Equity-Linked CDs: <http://www.sec.gov/answers/equitylinkedcds.htm>
4. SEC: High Yield CDs: <http://www.sec.gov/investor/pubs/certific.htm>

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

Reverse Exchange Convertibles:

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

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

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

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

FINRA: Reverse Exchange Convertibles

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

(c) Illustrative risks specific to Participation Structural Products

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

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

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



the public non-traded REIT tip sheet and Public Non-Traded REITs –Perform A Careful Review Before Investing at [www.FINRA.org](http://www.FINRA.org). On [www.SEC.gov](http://www.SEC.gov), see the investor bulletin on non-traded REITs.

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

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

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

Transamerica Advisor Elite is not:

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

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

(40) Illustrative risks for investors in TransAmerica RetireOne: Retire One is a stand-alone living benefit issued by Transamerica Advisors Life Insurance Company and requires an investor's holdings to remain fully invested in certain specified investments, i.e. "Eligible Assets". It does not guarantee performance and does not guarantee against a loss of principal. Ownership of the Eligible Assets on which the guarantee is based remains with the investor and can be accessed at any time, but withdrawals in excess of those permitted under the certificate terms will diminish or eliminate future guarantees.

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

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

Prior to the Lock-In Date, on each certificate anniversary, the Coverage Base will be the greater of 1) the current Coverage Base; 2) the value of the Covered Asset Pool on the Certificate Anniversary; or 3) if

there have been no withdrawals during the preceding Certificate Year, the value of the Covered Asset Pool as of any Quartersiversary during the immediate preceding Certificate Year.

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

The Quartersiversary component of an automatic step-up is not applied to the coverage base in years when an excess withdrawal has been taken. Step-ups apply only to the coverage base or coverage amount and not to the covered asset value.

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

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

The stand-alone living benefit will terminate and no benefit payments will be made if 1) withdrawals are made in excess of those permitted, which reduces the Coverage Base or Coverage Amount to zero; 2) the benefit fee is not paid; or 3) assets are not allocated exclusively to Eligible Assets.

See prospectus for more information on termination of the benefit.

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

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

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

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

Additional fees, terms and conditions apply. Please see prospectus and accompanying disclosure documents.

(41) Tail Risk: There are a number of risks associated with any tail risks strategies. For example if there is a volatility target, it may not protect against "gap downs" in prices, where asset prices open lower than they closed the previous day. Some strategies such as Pacer Trendpilot and Pacer Wealth Shield utilize rules based model that adjust the asset-allocation mix to match the current market regime—allocating less risky assets in higher-risk market regimes and more risky assets in safer times. There is a risk of mistiming the market regime and underperforming during periods of high market volatility. Tail risk may also attempt to be reduced using options. Limited downside protection is provided by buying puts (limiting downside). Then the cost of this protection is offset by the cash generated from selling a call on the same trade. Selling the call option reduces potential upside participation. Swan Defined Risk is an example of

such a strategy. There is no guarantee that tail risk strategies will be successful in limiting downside risk. There is no guarantee that the cost of any downside protection utilizing options or that the rules based model's trading results will be exceeded that of a passive buy and hold strategy.

(42) Illustrative risks of investing in hedge funds: Illiquidity: Hedge fund investments are relatively illiquid. Most hedge funds have lock-up periods of about one to two years, periods when the investor is unable to withdraw or sell back investments. Also, during a challenging period for a fund, some funds can impose a gate, which limits the amount of withdrawals from a fund during a redemption period. The investor does have redemption rights that allow them to give advance notices for withdrawals. The key man clause also gives investors the option to redeem their funds if a key manager suddenly leaves the firm. • Use of Leverage: The use of leverage allows a hedge fund manager to access a greater value of assets than that contributed by investors, multiplying the power of every dollar contributed to the fund. There are several ways to achieve leverage in a fund, such as options, swaps, and futures. These all have an explicit cost along with the associated increase in risk relative to non-leveraged portfolios. For these reasons, investors should be cautious of highly leveraged strategies. Risk: Flexibility in strategy results in a broad range of potential risk types. Evaluating sources of risk is crucial. While a portfolio including multiple hedge funds with different risk and return profiles may control risk exposure, the potential operational, credit, and market risks should be understood prior to investing.

Funds of hedge funds are speculative and involve a high degree of risk. Hedge fund managers have total authority over the funds. The use of a single advisor applying similar strategies could mean lack of diversification and, consequentially, higher risk. Funds of hedge funds are not liquid and require investors to commit to funding capital calls over a period of several years; any default on a capital call may result in substantial penalties and/or legal action. An investor could lose all or a substantial amount of his or her investment. There are restrictions on transferring interests in hedge funds. Funds of hedge funds' fees and expenses may offset hedge funds' profits. Hedge funds are not required to provide periodic pricing or valuation information to investors. Hedge funds may involve complex tax structures and delays in distributing important tax information. Hedge funds are not subject to the same regulatory requirements as mutual funds. Fund offering may only be made through a Private Placement Memorandum (PPM).

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

may not be able to close or offset positions immediately upon request. You may have market exposure even after the CTA has a request for closure or liquidation. Past results are not necessarily indicative of future results.

(44) General risks involved in the Alternative Income model: Investment vehicles that have particularly higher yield may be potentially volatile, including risk of loss of entire principal of that investment. The vehicles used in this portfolio such as traded REITs may be hurt by rising interest rates, inflated real estate prices or changes in tax depreciation law. Closed end funds are subject to current market demand and may result in a holding that may be bought or sold at a premium or discount. During times of volatility these holdings are subject to large differences of the internal value of the holdings to what the market will pay for that internal basket of holdings. Many energy related investments involved master limited partnerships (MLP) and tend to carry large amounts of debt and long term depreciation. Changes in interest rates and tax law may negatively affect the value of MLPs as well as decreasing values of the various energy commodities. The inability of an MLP to maintain a distribution may have a large negative impact on its trading price. Preferred stocks and senior notes tend to have limited liquidity due to low issuance thus may move significantly up or down with the introduction of large purchases or sales within a trading day. Also, many preferred stocks and senior notes may not have ratings issued by large national rating agencies thus may generate less interest from the general public leading to less demand for that investment.

The high concentration of higher risk, higher reward of this model along with the characteristics listed above does not make this model a solid choice as a core portion of a portfolio. It should be used as a satellite holding as it relates to portfolio model design to take advantage of certain higher risk, higher reward investments often not found in standard investment design.

For more information on MLPs, BDCs, Senior notes and other investments discussed above, see [www.SEC.gov](http://www.SEC.gov), and [www.FINRA.gov](http://www.FINRA.gov).

(45) Infrastructure Sector: Infrastructure companies may be susceptible to reduced investment in public and private infrastructure projects, and a slowdown in new infrastructure projects in developing or developed markets may constrain the abilities of infrastructure companies to grow in global markets. Other developments, such as significant changes in population levels or changes in the urbanization and industrialization of developing countries, may reduce demand for products or services provided by infrastructure companies.

Owning infrastructure assets involves many relatively unique and acute risks. Projected revenues can be affected by a number of factors including economic and market conditions, political events, competition, regulation and the financial position and business strategy of customers. Unanticipated changes in the availability or price of inputs necessary for the operation of Infrastructure Assets may adversely affect the overall profitability of an infrastructure asset or related project. The operation and maintenance of infrastructure assets involve various risks and are subject to substantial regulation, many of which may not be under the control of the owner. including labor issues, failure of technology to perform as anticipated, structural failures and accidents and the need to comply with the directives of government authorities. An infrastructure asset may face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental plans and policies. K-INFRA is also subject to risks resulting from owning and controlling infrastructure assets outside of more developed economies. Operation and maintenance risk – The operation and maintenance of infrastructure assets involve significant capital expenditures and various risks, which may not be under the control of K-INFRA. Supply chain risk – Infrastructure assets may experience supply chain disruptions that could adversely impact K-INFRA's business and financial condition. Climate change risk – The effects of

global climate change may impact K-INFRA's Business

(46) Illustrative risks of private credit: Illiquidity: As loans are issued privately, an active secondary market for these loans may not exist. Additionally, the highly negotiated nature of private credit investments makes them less easily transferrable. Large banks may not hold any inventory of the loan at all and changes in their market value may not be reflected for some time.

Credit/Default Risk: The historical default and recovery rates of private credit loans are difficult to estimate due to their private nature, creating greater uncertainty in the eventual performance of underlying loans relative to traditional fixed income securities, such as investment grade corporates and municipal bonds. Additionally, since in some instances the borrower may not have been credit-worthy enough to secure a loan from a bank, the risk profile of the underlying loan may be greater.

Lack of Control: Investors will typically invest in a limited partnership and concede control of the investment making decisions to an investment advisor. They will rely on the investment advisor to navigate entry and exit from loans through the credit cycle.

Use of Leverage: Some managers may seek to increase returns by applying leverage. While this can be quickly removed in times of stress, consideration needs to be given to the potential impact of applying leverage into a declining market and its impact on the overall fund's assets.

Funds of private credit funds are speculative and involve a high degree of risk. Private credit fund managers have total authority over the private capital funds. The use of a single advisor applying similar strategies could mean lack of diversification and, consequentially, higher risk.

Funds of private credit funds are not liquid and require investors to commit to funding capital calls over a period of several years; any default on a capital call may result in substantial penalties and/or legal action. An investor could lose all or a substantial amount of his or her investment. There are restrictions on transferring interests in private credit funds. Funds of private credit funds' fees and expenses may offset private credit funds' profits. Funds of private capital funds are not required to provide periodic pricing or valuation information to investors.

Funds of private credit funds may involve complex tax structures and delays in distributing important tax information. Funds of private credit funds are not subject to the same regulatory requirements as mutual funds. Fund offering may only be made through a Private Placement Memorandum (PPM).

(47) Illustrative risks of private equity: Illiquidity: Private equity investments are generally illiquid for long periods of time. The GP controls the investment decisions and an LP may only be able to exit their partnership interest in a secondary market that may have few, or no buyers, or at a discount to stated value. Investors may expect consistently higher returns, or an illiquidity premium, to compensate for the increased risk of not being able to easily enter and exit the partnership, but these returns are not guaranteed.

Volatility: Private equity is often misunderstood to have low volatility, a standard measure of risk in financial assets. This misconception is due to the infrequent changes in the valuations of the underlying assets as well as the fact that private investments are not regularly valued in trading markets such as the public equity markets, but are valued periodically by the owners of the company. It is important to understand that private equity is not a low risk investment and may be highly volatile and risky.

Business Risk: A private equity investment can occur throughout a company's life, from the initial

development of a business to its operational and financial decline. In a company's early stages, usually when a venture capital investment would occur, there is business risk regarding whether or not a business will be viable or competitive. In a company's later stages of development or maturity, a company may struggle to service the debt needed to complete a buyout transaction. Finally, during a company's decline when a distressed investment may occur, a company may not be able to successfully restructure and emerge from bankruptcy

Lack of Control: LPs do not have control over the investment decisions or the timing of when the GP calls capital. Given this, the skills and ability of the GP to execute on the stated investment strategy and to create value for portfolio companies need to be considered

Funds of private equity funds are speculative and involve a high degree of risk. Private equity fund managers have total authority over the private capital funds. The use of a single advisor applying similar strategies could mean lack of diversification and, consequentially, higher risk. Funds of private equity funds are not liquid and require investors to commit to funding capital calls over a period of several years; any default on a capital call may result in substantial penalties and/or legal action. An investor could lose all or a substantial amount of his or her investment. There are restrictions on transferring interests in private equity funds. Funds of private equity funds' fees and expenses may offset private equity funds' profits. Funds of private equity funds are not required to provide periodic pricing or valuation information to investors. Funds of private equity funds may involve complex tax structures and delays in distributing important tax information. Funds of private equity funds are not subject to the same regulatory requirements as mutual funds. Fund offering may only be made through a Private Placement Memorandum (PPM).

(48) Risks Associated with Investments in Real Estate Debt Generally: The fund manager may invest in a variety of real estate-related debt investments. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real property investments, the fund manager will be subject to a variety of risks in connection with such debt investments, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the fund manager's exercise of contractual remedies for defaults of such investments. Other issues associated with real estate debt funds include but are not limited to: long-term investment horizon; uncertain timing for asset sales and financings; multi-sector investment strategy risks; originations and secondary market acquisitions may have different strategies and risks; subordination of investments may have greater credit risks.

Risks of Making or Acquiring Real Estate Loans and Participations Generally: The fund manager may originate or acquire direct or indirect interests in real estate loans that at the time of their acquisition or thereafter may be non-performing for a wide variety of reasons; Mortgage Investments Generally: Mortgage investments have special inherent risks relative to collateral value; Fixed-Income Investments: Investments in lower rated or unrated fixed-income securities, while generally providing greater opportunity for gain and income than investments in higher rated securities, usually are less liquid, more volatile and entail greater risk (including the possibility of default or bankruptcy of the issuers of such securities). Nonperforming Loans; Foreclosure Process: It is possible that the Manager may find it necessary or desirable to foreclose on collateral securing one or more real estate loans originated or purchased by the fund manager. The foreclosure process can be lengthy and expensive; There are additional and special risks arising from Junior Notes/Subordinate Loan Interests, Mezzanine Loans, Commercial Mortgage Loans, Bank Loans, Bridge Financing, Construction Loans, Investment in Distressed Assets, Loans to Companies in Distressed Situations, and Lower Credit Quality Loans investors should understand and be willing to bear the risk; Investments Believed to be Undervalued or Incorrectly Valued: Credit

Ratings are not a guarantee of quality; The investments of the fund manager may be subject to prepayment; Lender Liability Considerations; Equitable Subordination: Over the years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively, termed “lender liability”); Securitization of Assets; Securitization Collateral Manager, and risk of Potential Restrictive Covenants.

General Risks of Real Estate Assets: Investments in real estate-related securities are subject to various risks, including the following: adverse changes in domestic or international economic conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; decreases in consumer confidence; changes in prices for key commodities or products; increases in the availability of supply of property relative to demand; changes in availability of debt financing; increases in interest rates, the incidence of taxation on real estate, energy prices and other operating expenses; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal policies; changes in the relative popularity of properties; risks due to the dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; acts of God, uninsurable losses and other factors which are beyond the control of the Company. In addition, as recent experience has demonstrated, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values.

Additional risks and potential sources of a decline or even total loss of investment may arise in private real estate debt funds from the Financial Condition of Tenants, Environmental Risks, Possible Lack of Diversification; Investment Performance: There can be no assurance that the investments will yield the returns estimated or projected. It is unlikely that readily available price quotations will exist. If the Company were to liquidate a particular investment, the realized value may be more than or less than the appraised valuation of such asset. There may also be Undiscovered Liabilities and the Use of Borrowings through leverage which may substantially increase the potential for loss. There is also Lack of Marketplace Liquidity, Embedded Leverage, Lack of Liquidity of Investments, Limitations on Remedies, Insolvency Considerations; Counterparty Risk; Contingent Liabilities on Disposition of Investments; Bankruptcy Considerations; Litigation Reliance on Information Provided by Others Which May Be Incorrect, as well as the Possibility of Future Terrorist Activity. There are also risks associated with investment in the company including, but not limited to Restrictions on Transferability; No Market for Units, Redemptions of Units, Required Redemptions, Effect of Substantial Withdrawals, Lack of Participation in Management of the Company, Absence of Recourse to the Manager. There are also tax risks: Members may be obligated to pay tax arising from phantom income; The Company may generate unrelated business taxable income taxable to certain tax-exempt investors and effectively connected income taxable to non-U.S. investors. If a subsidiary of the Company which intends to qualify as a REIT does not qualify as such, such subsidiary will be subject to tax as a regular corporation and could face a substantial tax liability. The Company may be subject to adverse legislative or regulatory tax changes. There may also be risks associated with hedging, as well as Interest Rate Risks: Changes in interest rates may adversely affect the investments. There may also be potential conflicts of interests that may arise between Affiliates of Managers, as well as arising from Incentive Distributions, Co- investment Opportunities; Co-investment with Affiliates, and Allocation of Personnel

(49) Illustrative risks for private real estate:

**Illiquidity:** Private real estate investments are generally illiquid given the structure of real estate transactions. The GP controls the investment decisions and an LP may only be able to exit their partnership interest in a secondary market that may have few, or no buyers, or at a discount to stated value. In the case of an open-ended fund, it can still take several quarters to redeem an investor’s interest. • **Volatility:** Private real estate is not a low risk investment and each category of real estate has unique risks. It is sometimes misunderstood to have low volatility, a standard measure of risk in financial assets. This misconception is due to the infrequent changes in the valuations of the underlying assets as well as the stages of deployment of capital to new properties. **Lack of Control:** LPs do not have control over the investment decisions or the timing of when the GP calls capital and makes investments for the private real estate fund. Given this, it is important to evaluate the skills and ability of

the GP to execute on the stated investment strategy and to create value at the property level. • **Leverage:** Real estate transactions typically involve mortgage financing from a bank or nonbank lender. Leverage and the sources of capital can vary materially and alter the risk and return profile. In the event of a bankruptcy, the bank or non-bank lender may have claim over the property before equity owners.

Funds of private real estate funds are speculative and involve a high degree of risk. Private real estate fund managers have total authority over the investments. The use of a single advisor applying similar strategies could mean lack of diversification and, consequentially, higher risk. Funds of private real estate funds are not liquid and require investors to commit to funding capital calls over a period of several years; any default on a capital call may result in substantial penalties and/or legal action. An investor could lose all or a substantial amount of his or her investment. There are restrictions on transferring interests in private real estate funds. Funds of private real estate funds' fees and expenses may offset private real estate funds' profits. Funds of private real estate funds are not required to provide periodic pricing or valuation information to investors. Funds of private real estate funds may involve complex tax structures and delays in distributing important tax information. Funds of private real estate funds are not subject to the same regulatory requirements as mutual funds. Fund offering may only be made through a Private Placement Memorandum (PPM).

(50) Illustrative risks of Opportunity Zone funds:

The Opportunity Zone program requires that investors must double their basis in an asset. Therefore, investors and managers are taking on a development and heavy repositioning strategy. Investment managers will need to have significant development experience and local relationships within the zone • **Quality:** The majority of the QOZs are in distressed areas. While there are some attractive locations within these zones, these locations will make up a small percentage of the investable area. Accordingly, the attractiveness of the Program may be short lived once these opportunities are taken. • **Property Value:** Property values are likely to increase in QOZs as owners of assets realize they are within an opportunity zone and prices react quickly to large anticipated capital inflows. Also, underwriting standards could diminish as investors factor the tax benefits into the underwriting. Underwriting of the real estate should be looked at independently from the tax benefits. • **Supply of Capital:** Given the amount of press and interest that the Program has received, we anticipate a massive wave of capital flowing into these locations. It is possible that certain opportunity zones may become over-developed, prices become inflated, and existing sellers consequently maintain an advantage. • **Fund Size:** Managers' ability to deploy a substantial amount of capital (e.g., >\$750 million) over three years is an important consideration. Investment managers are raising funds that generally range between \$200 million to \$2.5 billion. Depending on the fund's structure, the optimal fund size is between \$250-\$750 million. Program and OZF emphasis primarily on development and heavy repositioning, further reduces the size of the investable universe and makes deployment more difficult. Even traditional real estate funds with assets in excess of the preferred range can have difficulty deploying capital. › During 2019 some managers pulled back on their initial QOF fund raise targets. Several managers have changed their fund structure and are raising smaller funds. Additionally, QOF's have moved away from the traditional commingled fund structure and are holding single closes and then launching subsequent funds in the series once additional transactions are identified. • **Exit-timing:** Once the funds reach 10 years (2029) and most assets fully qualify for the tax benefits, there is risk that the same phenomenon that drove prices up in the purchase period drives down prices at exit. Liquidity is an important consideration. • **Other Risks:** – This is the first time that the Program has been offered and there are remaining open questions regarding its implementation. – Investment managers rushing to raise substantial capital before the rules are finalized is inconsistent with a prudent and measured investment manner, especially during early stages of the Program. Investing initially with multiple managers to get access to the best opportunities in each manager's pipeline should be considered – Most QOZs are distressed with the possibility that a designated zone may not be transformed after 10 years and another economic down cycle. • **Timing:** The timing constraints are tight, especially for managers raising upwards of \$750 million. The rules for an opportunity zones strategy gives managers six months to identify transactions in order to meet the 90% test and then 31 months to execute the assets business plans. Although there are over 8,000 zones identified, not all of these zones will be investable and it is difficult to determine what an area could be like in 10 years. • **Conflict of interest within investment manager's product suite:** Some investment managers with existing platforms and potentially competing funds have confirmed that they will not be creating a fund to invest in QOZs. The



managers believe it would be a conflict of interest with their existing platforms and non-taxable investor base. • Capital expenditures and long-holding period: OZFs will hold the assets for over 10 years to maximize the tax benefits, longer than many managers typically invest within a traditional opportunistic real estate fund. Because these properties will be in the Funds for more than 10 years, managers need to assume they will go through multiple cycles. For this reason, we believe that property types that require lower amounts of capital expenditures (after the initial development costs) are more conducive to the Program. For example, a ground-up multifamily development will require less ongoing capital expenditures over a ten-year hold than an office building that requires expensive tenant improvements and custom build outs when new tenants occupy the space. If the office building has a drop in occupancy in year 8 due to potentially unforeseen market conditions, then a large amount of capital expenditures (leasing commissions and tenant allowances) would have to be spent in order to market the building for sale at the end of the Program in the tenth year.

(51) Illustrative risks of fixed annuities and multi-year guarantee annuities (MYGA):

A fixed annuity is a contract between you and an insurance company that can provide a predictable stream of income in retirement. Typically, the insurer agrees to pay a guaranteed interest rate on your balance for the life of the contract. In addition, fixed annuities may pay a current rate which can be higher than the guaranteed interest rate.

Because the interest on your premiums isn't tied to the stock market's performance, fixed annuities often work well if you're retired or approaching retirement and want to grow your assets without market risk. However, these contracts may offer a lower average rate of return than some other asset classes over that long-term. In most cases, you can fund a fixed annuity with either a lump-sum premium or a series of premiums.

One of the advantages of fixed annuities is their tax-deferred status. You don't pay tax on any interest you generate until you receive distributions, enabling your assets to benefit from compound interest.

What is a MYGA? MYGAs are a type of fixed annuity that provide a set interest rate for a term length you choose, usually between three and nine years. Keep in mind that MYGAs, like all annuities, aren't a bank product but a contract with an insurer. You pay the insurer premiums and the annuity accumulates at that fixed rate until the term ends. In the case of MYGAs, you pay a premium at the start—minimums and maximums vary by company—and the insurance company periodically credits your account with the promised interest rate for the duration of the term you've selected. At the end of the term, you may have some options for what to do with the money:

- Renew your contract. You may be able to choose the same or a different term and lock in the updated, current interest rate the insurer is offering.
- Receive cash. You can withdraw the accumulated value when your MYGA expires with no surrender charges. You can usually take the proceeds in a lump sum or make partial withdrawals. This will be a taxable event.
- Annuitize. You can elect to receive guaranteed payouts from the insurer that last for a specified period of time or for the rest of your life.
- Let the balance move to a fixed account. With some insurers, your MYGA's accumulated value automatically transfers to an account with a guaranteed minimum fixed interest rate. There may also be a current rate, which could be higher, that resets every year. You can usually leave your money there until you choose what to do with it next.

Having these choices at the end of the term makes MYGAs a flexible financial product, especially if you're near or in retirement and want to avoid market volatility for these funds.

MYGA vs. other fixed annuities: While MYGAs are in the fixed annuity family, they work differently than traditional fixed annuities. Here are the main aspects that set the two apart:

1. MYGAs provide a continuous fixed rate
2. When you purchase a MYGA, the insurer pays you a fixed interest rate for the term you elect, which is typically between three and nine years. One risk of a traditional fixed annuity is that a guaranteed minimum rate for the life of the contract and a current rate that will fluctuate. Therefore, your MYGA risks are lower than other fixed annuities in a declining interest rate environment. However, if you are locked into a longer period of years, a MYGA's risk may be

higher in an increasing interest rate environment.

You can typically fund a fixed annuity with either a single premium or multiple premiums. In contrast, a typical MYGA contract is purchased with a single upfront premium. MYGAs may allow for limited, periodic, penalty-free withdrawals. Insurance companies impose a surrender charge on annuity contracts. Most MYGA issuers offer penalty-free withdrawals equal to a certain percentage of your contract value in each of your contract years within the surrender charge period. You only incur a surrender charge if your distribution exceeds this allowance. Keep in mind that withdrawals may be taxable. If you are under 59½ at the time of the withdrawal, in addition to taxes, there is a 10% federal tax penalty that will be applied to the taxable portion.

Some MYGAs have a feature known as a market value adjustment, or MVA, when you withdraw money from your annuity within the surrender charge period. Since interest rates have changed since the surrender charge schedule started, a market value calculation will cause an increase or decrease to your annuity's value. This MVA is designed to address the changing interest rate environment when you take money out during the surrender charge period.

At-a-glance comparison of MYGAs & fixed other annuities

	MYGA	Traditional fixed annuity
Premiums	Usually single premium only	Single or multiple premium
Duration	Term options usually less than 10 years	Accumulation for the life of the contract
Fixed interest rate	Fixed interest rate for the term of years you select	Fixed minimum guaranteed interest rate for the life of the contract. A current interest rate, which may be higher, that can change annually.
Tax-deferred growth	Yes	Yes
Penalty-free withdrawals	Surrender charge waivers up to allowable limits	Surrender charge waivers up to allowable limits
Fees	Most MYGAs don't have upfront fees, although surrender charges may apply if withdrawals exceed allowable limits. In addition, a negative market value adjustment may decrease your annuity value.	Most fixed annuities don't have upfront fees, although surrender charges may apply to early withdrawals.

Do not purchase an annuity if you believe you will need the money prior to the end of the surrender charge period.

Payouts may fall behind inflation. No one can predict what may happen to inflation over time. The set payouts from your fixed annuity may not keep up with inflation, meaning their buying power may decrease over time. To lessen this risk, you may be able to choose a payout option that adjusts for inflation or purchase a contract rider for inflation protection.

Lower payouts if you die earlier than expected: The contract holder and the insurance company both assume how long the contract holder may live. They also both take steps to reduce their risk of loss if they're wrong. If you choose a single-life payout and pass away shortly after you start receiving income from your annuity, you might get back less than you paid in premiums. However, you can choose different types of payouts, such as joint-and-survivor or period certain, to make sure someone you care about gets the income you would have received had you lived longer, but the payoff may be less.

Potential to outlive your annuity: A fixed annuity can pay you a set income for life, but it depends on the type of payout you choose. If you choose a period certain payout (such as 10 years of income), your annuity may stop paying income while you're still alive and need a consistent income.

Not FDIC- or SIPC-insured: A fixed annuity is an insurance product. It's not insured by the Federal Deposit

Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC).

Penalties for withdrawing early: Once you pay premiums for an annuity, the insurance carrier expects to hold that money until you're ready to receive regular payments from it. If you decide to withdraw money from your annuity sooner, you usually have to pay a surrender fee (but it may be waived in certain circumstances, like entering a nursing home or getting a terminal diagnosis). The fee is a percentage of the amount you withdraw, and the earlier in your contract you withdraw it, the higher it may be. Depending on when you take a withdrawal and how much you take out, you could lose money and not earn the return you originally planned. Withdrawals before you're 59½ may also trigger a 10% federal income tax penalty.

## **ITEM 9: Disciplinary Information**

Regatta has no disciplinary information to report.

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

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

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

Eric A. Greschner is also a managing partner in Priority Funds, LLC. Regatta has no affiliation with Priority Funds.

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

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

### **Statement of General Policy**

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

The Code establishes rules of conduct for all employees of Regatta Research & Money Management, LLC and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Regatta Research & Money Management, LLC and its employees owe a fiduciary duty to Regatta Research & Money Management, LLC's Clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their

own personal interests ahead of Clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Regatta Research & Money Management, LLC continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A copy of Regatta's Code of Ethics is available upon request.

### **Principal Trading Policy**

Regatta Research & Money Management, L.L.C.'s policy is to not to engage in any principal transactions. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory Client.

## **ITEM 12: Brokerage Practices**

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

### **12.1 Soft Dollar**

Regatta does not accept commissions or soft dollars. Soft dollars are defined as an arrangement in which the investment manager directs commissions generated by a transaction to a third party or an in-house party in exchange for services. As a matter of policy and practice, Regatta does not utilize research, research-related products and other services obtained from broker-dealers or third parties on a soft dollar commission basis. Regatta may receive from certain broker/dealers, trust companies, mutual funds, variable annuities and other Investment Advisors computer software and services related to account management which permit Regatta to transmit trading instructions and receive account information, including trade confirmations and account inventories electronically via computer modem. Occasionally, these entities will provide financial assistance to advisers for, among others: conferences, sales, employee training programs, travel and lodging expenses for meetings and seminars held at remote locations, and gifts of nominal value as permitted under applicable regulations. Increased transaction fees are not incurred by Regatta's Clients for the assistance rendered by these entities.

### **Agency Cross Transactions**

Regatta's policy and practice is not to engage in agency cross transactions. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction (SEC Rule 206(3)-2(b)).

### **Best Execution Practices**

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

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

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

### **Trading Policies**

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

### **12.2 Brokerage for Client referrals**

When selecting or recommending a broker dealer, neither Regatta nor a related person receives Client referral fees from a broker dealer or a third party.

### 12.3 Directed Brokerage Policy

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

For Clients in need of brokerage or custodial services, and depending on Client circumstances and needs, Regatta may recommend the use of one of several broker dealers (including, but not limited to Fidelity or American Skandia), provided that such recommendation is consistent with Regatta's fiduciary duty to the Client. Regatta Clients must evaluate these brokers before opening an account. The factors considered by Regatta when making this recommendation are the broker's ability to provide professional services, Regatta's experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect

trades through any recommended broker. Regatta reserves the right to decline acceptance of any Client account that directs the use of a broker dealer if Regatta believes that use of the broker dealer would adversely affect our ability to service the account or our fiduciary duty.

### 12.4 Fidelity

Regatta has an arrangement with National Financial Services, LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Regatta with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Regatta in managing and administering Clients' accounts include software and other technology that (i) provide access to Client account data, such as trade confirmations and account statements; (ii) facilitate trade execution and allocate aggregated trade orders for multiple Client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its Clients' accounts; and (v) assist with back-office functions, recordkeeping and Client reporting. Fidelity also offers other services intended to help guide Regatta in managing and developing its advisory practice. Such services include, but are not limited to, access to discounts, performance reporting, financial planning software, customer relationship management software, third party research, publications, invitations to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Regatta may contract directly with.

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

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

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



redemption fees on mutual funds, ETFs, stocks, etc. to a Client.

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

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

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

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

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

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

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

Reduced stock trade commission schedule for eligible accounts:

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

1 – 10,000 shares: \$4.95 + \$.010 for each additional share above 10,000 shares.

Fidelity Wealthscape Options Trades:

Online the cost is \$4.95 per trade + .65 per contract. Via the trade desk \$29.95 per trade + .65 per contract.

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

The fee schedule for annuities Regatta manages are as follows:

- (1) Prudential Investments: Prudential Investments charges a fee of \$10 a trade after twenty trades if not done online. Prudential Investments charges an annual account fee on contracts less than \$50,000 which is the lesser of \$35 a year or 2% of the total value of all investment options on the contract's anniversary date and on all surrenders.
- (2) Jefferson National: As a custodian Jefferson National does not charge for what may be

considered excessive trading but certain fund families may have transaction fees built into the sub-accounts and may limit the amount of trades per year. None of the sub-accounts have a monetary penalty for excessive trading but may restrict future trading in that particular ‘Investment Family’.

- (3) TransAmerica: The Advisor Elite variable annuity fees range from 0.60%-1.90%. Annuity fees include the following fees and ranges; Mortality and Administrative Expense, \$30-\$35 annual fee, and investment option management fees. A fund facilitation fee of up to 0.30% annually may apply for certain investment options.

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

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

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

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

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

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

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

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

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

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

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

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

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

Regatta does not receive referral fees from any person or entity. However, Regatta may also enter into an agreement with a consultant/independent contractor, registered broker/dealers, or sales representatives to refer potential Clients to Regatta. If the potential Client introduced by the consultant/independent contractor becomes a Client of Regatta, Regatta will share the consulting fee or an ongoing share of the quarterly management fee in accordance with a written Solicitor's Agreement. These arrangements create a conflict of interest to the extent that such a referral is not necessarily "unbiased" as the solicitor is, at least partially, motivated by financial gain.

Therefore, such a referral may be made even if our advisory services are not the most suitable to a particular Client's needs. As these situations present a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

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

Under no circumstances will a referred Client pay more if they come to Regatta Research & Money Management, L.L.C. directly. Any consultant will not be an employee, agent, officer or affiliate of Regatta and shall have the status of "independent contractor". For purpose of this section, an affiliate of Regatta shall mean any person controlling, controlled by, or under common control with Regatta. The Consultant is not authorized to act in any way on behalf of Regatta. The Consultant is not authorized to enter any agreement or undertaking on behalf of Regatta with any person or organization. Regatta may provide marketing support or services to assist its solicitors and their firms. This support may take the form of payment of certain expenses, such as fees to allow Regatta to participate in sales conferences of the soliciting firms, to present seminars for existing and prospective Clients, to cover expenses for attendance at informational meetings held by Regatta at its offices or other locations, and reimbursement of costs for sales promotional activities.

## ITEM 15: Custody

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

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

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

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

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

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **ITEM 16: Investment Discretion**

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

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

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

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

## **ITEM 18: Financial Information**

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