



Form ADV Part 2A– Firm Brochure September 12, 2013

Haberer Registered Investment Advisor, Inc.

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This Brochure, updated September 12, 2013, provides information about the qualification and business practices of Haberer Registered Investment Advisor, Inc. If you have any questions about the contents of this brochure, please contact us at (513)381-8200 and/or www.haberer.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Haberer Registered Investment Advisor, Inc. (Haberer) is also available on the SEC's website at www.adviserinfo.sec.gov.

We are an investment advisor registered with the SEC. Being registered with the SEC does not imply a certain level of skill or training, though we have been registered with the SEC since April, 1, 1977.

Item 2 Summary of Material Changes

The following is a summary of material changes that were made to our Investment Advisor Firm Brochure (Form ADV Part 2) since the last annual update on March 27, 2013. This summary does not describe all of the changes that were made, only those that we deem to be material.

There have been management changes within Haberer Registered Investment Advisor, Inc. as follows:

1. As of July, Gregory A. Smith is President and Managing Director.
2. As of July, Irene Dake retired from Haberer as Chief Compliance Officer (CCO) and Adonis A. Caneris, JD, is now VP, Senior Wealth Advisor and CCO.
3. In August, Donald L. Keller resigned from Haberer as President and Chief Investment Officer (CIO) and Nathan A. Bishop, CFA, is now VP, Senior Portfolio Manager and CIO.
4. In August, Edward M. Haberer, formerly Chief Executive Officer and later President Emeritus, resigned from Haberer.

Our full Brochure is available upon request. Please contact our Compliance Department for a free copy by phone at 513-381-8200 or email Compliance@haberer.com. Additional information about Haberer is also available on the SEC's web site at www.adviserinfo.sec.gov by searching Haberer or by our unique CRD #110382.

We may, at any time, update this Brochure, and if we make any material changes, we will provide you either: (i) a copy of our Form ADV, Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2.

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Item 4 Advisory Business

A. Haberer Registered Investment Advisor, Inc. (Haberer)

1. Haberer is a wholly owned subsidiary of Huntington National Bank. Haberer began as an investment advisor registered with the Securities and Exchange Commission (SEC) on April 1, 1977. We continue to operate as a separate company.
2. Huntington National Bank, who owns Haberer, is a subsidiary of Huntington Bancshares, Inc., a publicly held company.
3. Huntington Bancshares, Inc. has many intermediate subsidiaries but they are not publicly owned.

B. Types of Advisory Services

1. **Haberer Traditional Portfolio Management** - Haberer provides “investment supervisory services” for our clients using a mix of stocks, bonds, alternative investments and cash which are balanced to fit your specific needs. The stock portion is mostly large-cap, high quality and diversified across sectors. The fixed income (bonds) portion uses higher quality grade bonds. To a lesser degree, we also use Exchange Traded Funds (ETFs) and mutual funds to diversify into other asset classes. In more specialized accounts we use options to help avoid some market risk. Please see Item 8 A, B and C for more detail on this area.

We are wealth managers who manage individuals’, families’ and business owners’ personal and retirement assets (IRA’s). When you request our services, you will complete an Advisory Agreement and an Investment Policy Statement. We then assist you in establishing customized investment objectives. We will manage your investments according to these objectives.

Haberer also manages retirement assets for companies such as pension and profit sharing plans and 401(k)’s. We offer flexible investment offerings, help in the selection of the plan administrator and custodian. We also offer employee education if you desire.

Lastly, we manage trusts, estates, charitable organizations, endowments and foundations. Our services include helping you complete the Investment Policy Statement to outline your goals and objectives and developing a customized investment program for the organization’s income needs. We are also available to give seminars or to meet with your prospective donors.

The majority of our clients give us discretion to manage their portfolios. By discretion we mean Haberer is given the authority by the client to decide which securities are bought or sold, the amount of securities to be bought or sold, the broker or dealer to be used for the trades, and the commission rates to be paid. This is our preferred way

of operating as we believe it gives us the best opportunity to successfully manage your assets. Some clients give us the discretion over some of these items, but not all. This is further explained in Item 16.

2. **Haberer Asset Allocation Portfolio Management** - This approach is the same as shown above but instead we invest your money in Exchange Traded Funds (ETFs) in an actively managed approach. The ETFs may be used to gain international and emerging market exposure as well as small and mid-cap, real estate, commodities and unique areas such as “green” investments. This product is generally for clients under our minimum account size who have hired Haberer for investment management.

An ETF is an “Exchange Traded Fund” which tracks various market indices. They are listed securities that are traded like a stock and can be bought and sold throughout the day. Usually they have lower expense costs than many mutual funds. A commission is charged when we buy and sell ETFs.

A client will have a choice of a mix of ETFs that have different allocations for different risk objectives of Aggressive, Growth and Balanced. There will be periodic rebalancing to invest cash deposits and investment monitoring to reallocate as the markets move.

3. **Haberer Option Enhanced Strategy** - Another approach we offer is our Option Enhanced Portfolio. This is designed to provide the opportunity for capital appreciation with lower volatility than traditional portfolios. This conservative strategy uses a stock management approach along with an option trading strategy designed to help manage the risk of loss. Our Option Strategy is for clients who want to have equity exposure in their portfolio but are willing to limit the potential upside movement to help protect against large downside movements. Please see Item 8 B. 2. on page 12 for a description of the Option Strategy in more detail.
4. **Sub-Advisor/Dual Advisor** - Haberer in its role as a provider of investment services has the potential to be hired by other investment advisors either in the capacity of a sub-advisor or a dual advisor to manage assets that are the primary responsibility of the other advisor. Haberer may therefore be hired in the role of a sub-advisor or a dual advisor on a mutual fund, exchange traded fund, common fund, collective fund or an individual’s account.
 - a) **Barrister Consultants, Inc.** - Haberer has been hired as a dual advisor by Barrister Consultants, Inc. for their clients. Barrister Consultants, Inc. is the primary advisor and does the estate planning for these clients but Haberer makes the investment decisions for them. The client signs agreements acknowledging the responsibilities of both advisors. There is no additional fee to the client above Haberer’s standard advisory fee schedule. Haberer bills the client directly for their services. The fee paid by the client is then split evenly between the two advisors. There is no conflict of interest in this arrangement.

- 5. The Haberer Consulting Group** - We offer a varied range of consulting services for which each engagement is entirely customized according to its scope. The agreement and fee arrangement between Haberer and the client will depend on this scope and the investment and/or financial services provided. The reporting will also be customized to the specific needs of that client.

There is no defined scope of services under this arrangement. The terms of the agreement, reporting and fee schedules will be agreed upon by both parties and may be different for every client.

- 6. Wealth Management** - If you are interested, we offer financial planning services based on your goals. We generally request a Wealth Planning questionnaire be completed. We will help you with your financial planning taking into consideration:

- your assets and liabilities, income and expenses,
- retirement needs,
- insurance program,
- tax and estate planning,
- business succession,
- employee and/or executive benefits,
- personal and family obligations.

Financial plans may be updated at your request. It is generally advisable that financial plans be reviewed every couple of years or upon the occurrence of major life changing event, such as inheritance, marriage, birth of a child, or retirement. In certain circumstances, we may also enter into an agreement to perform wealth management services via an Engagement Letter and charge a negotiated flat or hourly fee to provide such services.

C. Customized Advisory Services

We customize the management of your assets according to your needs and objectives. We can put restrictions or limitations on some or all of your portfolios for securities or industries that you either wish to include or exclude. In limited instances, a client may wish to be notified before buying or selling securities.

D. Wrap Fee Programs

We do not participate in any wrap fee programs.

E. Assets Under Management

As of August 29, 2013, our total assets under management are \$672,087,470. Of this total, we have 530 clients with discretionary assets of \$634,798,017. We also have 17 clients with non-discretionary assets of \$37,289,453. Please see Item 16 on page 22 for the definition of “investment discretion”.

Item 5 Fees and Compensation

A. Compensation

We are a fee-only investment manager. The fees for our investment advisory services are based on a percentage of the market value of the assets we manage for you. In some cases, our investment advisory fees for these services are a negotiated annual fee which will vary based on the type and the amount of assets we manage.

The current fee is calculated using the market value of the portfolio(s) as of the last business day of the prior quarter. The fee is calculated using an average number of days in the quarter and is billed in advance.

Listed below is Haberer’s standard fee schedule:

1.00% on the first \$1,000,000 of market value
0.75% on the next \$4,000,000 of market value
0.50% on amounts over \$5,000,000 of market value

\$3,000.00 minimum annual investment advisory fee

Fees are based on the market value of managed assets.

An additional hourly rate of \$150.00 may apply for extraordinary projects and/or requests.

Depending on circumstances, fees may vary from the standard fee schedule at the Private Client Advisor's discretion. Items considered may be the possibility of future deposits, dollar amounts of assets to be managed, related accounts, etc. Certain securities may be excluded from the fee as they may not be actively managed or we do not have discretion for them.

B. Paying Fees

To pay your investment management fees, you have the choice of either: 1) sending us a check or 2) have the fee directly withdrawn from one of your portfolios by Haberer. Haberer may only withdraw funds from your account with your written authorization. In both cases, a statement will be sent to you for your records. You will be billed quarterly after the end of each calendar quarter.

C. Miscellaneous Expenses

Other miscellaneous fee expenses may include custodian fees, mutual funds fees and brokerage fees charged by the custodian or broker. Although we only buy no-load mutual funds, these funds may include other fees included in the price of the funds. This applies also to ETFs which we buy regularly. Please take note that for any investment in any mutual funds and ETFs, the client will pay both the investment advisory fee to Haberer and the incidental mutual funds/ETF fees included in the price of the securities.

If a bank is the custodian of the assets, there are custodian fees which pay for maintenance, securities settlement fees, miscellaneous transaction fees and termination fees. When you open an account with a bank, you will receive a fee schedule explaining these charges.

If a broker is the custodian of the assets, fees include commissions. An SEC fee may also be charged on some transactions. These charges will be included in the cost of the security being bought or sold. Please see Item 12 below for more information on our brokerage practices.

D. Fees Paid in Advance

Our Investment Advisory fees are paid in advance; for example, we will calculate the fee according to the value of your assets on March 31 to pay for services for April 1 through June 30.

We generally refund your fees if you have given us notice of ending our relationship within the first 60 days of the quarter. The refund is calculated for the number of days in the quarter after which we no longer manage the assets. In other words, if the billing day is March 31 for the quarter April through June, if you terminate our relationship on April 30, we would refund the fee for May and June.

E. “Other” Compensation

Haberer does not sell products or securities and so the only payment our firm receives is for the management of a client’s assets. We have no “other” compensation. We may buy Huntington mutual funds in your taxable account(s), but we are not incentivized to do this. We do not receive any payment for buying Huntington mutual funds in our client accounts. This would be a conflict of interest because Huntington National Bank is an affiliate of Haberer. We would, however, charge an investment advisory fee on that amount.

Item 6 Performance-Based Fees

We do not receive performance-based fees. A performance fee is where someone would receive a fee based on a share of capital gains or the capital appreciation of the assets. We are a fee-only manager where we receive a set fee on the assets we manage for you as mentioned in Item 5 above.

Item 7 Types of Clients

We manage assets for all types of client accounts: individuals, trusts, IRA's, Pension and Profit Sharing Plans, 401(k)'s, charitable organizations, corporations and other investment advisers. Our stated minimum is \$300,000 but that can be waived by the Private Client Advisor.

Requirements for opening most accounts include a brokerage application or a custodian agreement (if assets are held at a bank). For Haberer, documents include an Investment Advisory Agreement, an Investment Policy Statement, a Fee Schedule and other miscellaneous documents depending on what kind of account is opened. Normal identification information will be required on the applications to the broker or the bank. Bank agreements require a copy of your driver's license.

For ERISA accounts (Pension Plans, Profit Sharing Plans, 401(k)'s, etc.), we request copies of the most recent plan documents. The Agreements are completed by the Trustee(s).

Lastly, if your securities are being transferred from one firm to another, we will need your current brokerage statements.

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

A. Methods of Analysis and Investment Strategies:

Haberer's main investment strategy or philosophy is to be a manager of "quality core" large-cap stocks using these methods:

- Large-cap market/industry leaders in strong sectors (industries) – large-cap means the larger companies in a sector. It refers to the "capitalization" of a company which is the shares outstanding times the price of the stock.
- Use both top-down and bottom-up research. Top-down means thinking about the big picture of the overall economy and what should do well in the current economic environment. Bottom-up research means investing in stocks that are fundamentally attractive regardless of the industry.

- Theme driven focus – a top down focus in research can emphasize a particular type of stock, i.e. a better economy would be led by the industrial and technology companies, therefore, our investment strategy would stress industrial and technology stocks. During the weaker times in the economy, our focus would be on the low end consumer and utilities.
- Companies with sustainable long-term earnings and revenue growth.
- Growth at a reasonable price.

Buy/Sell discipline uses these methods:

- Computer screening of large-cap domestic securities based on certain parameters.
- Fundamental, “hands-on” research involves reading from journals and Wall Street firms.
- Buy/sell targets (at what price would we buy or sell a security) are established when we recommend them and are reviewed based on changing fundamentals. These fundamentals can change as earnings change or when the valuation is going to be different.

Diversification means investing in a variety of types of assets. This is important in managing your assets. By diversifying we have many industries represented and reduce the overall portfolio risk.

Fixed Income (Bonds) investment process is to invest in a mix of U.S. Treasuries, Agencies, Corporate bonds, mutual funds, ETF's and Municipals. We decide the best maturities based on the current interest rate environment and economy. We use a total return approach which includes the interest paid to the client on a bond plus the change in the price of the bond which results in a gain or loss of value. We try to maximize the amount of interest paid to the client and minimize the risk of a rise in interest rates.

Different Investment Strategies:

- Long-term purchases – securities held at least a year. We invest with the idea of holding a security for longer than one year but changes in the economy, market conditions or in that company may require us to own it for a shorter time.
- Short-term purchases – securities sold within a year for one of the reasons above.
- Option writing, covered options, uncovered options or spreading strategies – We use options to produce income for an account (call writing) and to protect against market declines (put buying). We also use options to buy a stock at a lower level (put writing).
- Pre-paid forward contracts – This is an investment strategy that allows an investor with a large stock holding to sell some of these shares at a later date to generate liquidity for diversification in other securities or for any other purpose. The client receives cash up-front in exchange for delivery of a certain number of shares of the large holding in the future. The amount of cash depends on the contract written. The contract specifies the amount of upside potential, how long the contract lasts and how dividends are treated. At the end of the contract, the client will deliver the shares and

have a gain or loss or he/she can settle the contract with cash to avoid the sale of the shares. The purpose is to protect the client against downside risk in that stock while receiving upside potential up to a certain point.

B. Material Risks Involved in Investing in Different Strategies

All investments have some sort of risk that a client should be prepared to bear.

- 1. Individually Managed Portfolios** – When you complete the Investment Policy Statement you will be asked what your risk tolerance is and from that, what are your objectives. You may have a low tolerance for risk and would consider yourself to be “conservative”. Someone else may be “aggressive” and want to take much more risk in their investments. To manage these risks, we diversify our investments in a wide variety of asset classes, including stocks, bonds, cash, and commodities. Even investing in fixed income (bonds) involves interest rate risk during this time of extremely low interest rates. There are different kinds of risk: specific security risk, market risk, global economic risk, etc.
 - a) Specific security risk – the risk of investing in an individual company and the potential loss that can occur because of an issue related to that company;
 - b) Market risk – the potential for loss in most securities can be caused by a wide variety of circumstances;
 - c) Global economic risk – all the global risks associated with trading with other countries and trying to anticipate their political, monetary situations.
- 2. Options Enhanced Strategy** – Designed to reduce risk and volatility by buying large-cap stocks, writing call options on those stocks and then buying put options on the market itself (OEX 100). In more detail, this portfolio is created by buying a diversified basket of stocks and then selling a call option at a strike price that is higher than the current price of the stock on most of those positions. The proceeds from the sale of these call options are then used to purchase index puts on the market. The theory is that the portfolio will perform similarly to the index, thus the put option will rise in value if the market declines. This strategy, however, does cap the upside since call options are written on each position.

This strategy requires more transactions than our traditional portfolio strategy. Because of this, the commission costs will be greater. Most of the security transactions occur when we begin to manage the portfolio and at any option expiration date. Therefore, most of the transaction costs occur at these times too.
- 3. Structured Notes** – We use these as a potential way to buy a security with less risk by reducing the downside. By reducing some of the downside risk, you are also limiting some of the upside movement that could be gained if you bought the actual security instead of a structured note. These notes are meant to be held for the duration of the contract.

C. Risks of Primary Types of Securities

Risks for the primary types of securities we use in our portfolios:

Stocks – The risk is that the share price drops resulting in a loss to the portfolio. Another risk is if the dividend is cut thus reducing income. Before we decide to buy a stock, we analyze the likelihood of these risks and the potential negative effects.

Bonds – There is the risk that the issuer is not able to repay the funds that were borrowed when the bonds mature. There is also currently the risk that a rise in interest rates can cause a temporary decline in the bond market and the individual bond values.

Options – There is the immediate risk of loss of the entire investment and the unlimited loss on call writing if you do not own the stock related to the call. We only write calls when we actually own the stock, too.

Cash – There exists the risk of principal loss in a “cash” mutual fund if the “net asset value” declines.

Item 9 Disciplinary Information

There is disciplinary information related to our affiliates in ADV Part 1 located at www.adviserinfo.sec.gov (search under Haberer), which is immaterial to our advisory business and management personnel. As such, we do not have any legal or disciplinary incidents that are material to our firm or management.

Item 10 Other Financial Industry Activities and Affiliations

A. Registered as Broker-Dealer

Within Haberer, there are no persons registered as a broker-dealer.

B. Other Registrations

Within Haberer, there are no persons registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of these entities.

C. Affiliates

Haberer has affiliates (i.e., entities that either control us or are under common control with us) with whom we have relationships that are material to our business. These affiliates are also noted on our ADV Part 1. These relationships may create conflicts of interest which are disclosed to the client at the time of entering into any client relationship. At no time does Haberer receive any additional compensation because of our relationship with any of the Huntington affiliates. We disclose and manage the conflicts as follows:

Huntington Bancshares, Inc.

Huntington Bancshares, Inc. is the parent company of which all our affiliates belong.

Huntington National Bank

Haberer is a wholly owned subsidiary of Huntington National Bank which is a subsidiary of Huntington Bancshares, Inc. We operate as a separate entity and have kept our operational independence. We currently have clients who are custodied at Huntington National Bank but we do not share in their custody fee. As part of the management of this conflict of interest, we do not execute client trades with Huntington brokers on these accounts. We have a solicitor arrangement with Huntington National Bank to permit the referral of clients to Haberer in exchange for compensation. It is the same arrangement as that with Huntington Investment Company (HIC) mentioned below. Please refer to Item 14 B on pages 20-21 for a discussion of this arrangement.

Huntington Asset Advisors, Inc. (HAA)

Huntington Asset Advisors, Inc. is an investment advisor to the mutual fund arm of Huntington National Bank. On occasion, we have bought Huntington mutual funds which are managed by HAA for our clients. To address any conflict, Haberer does not receive any compensation other than our standard advisory fee for buying these funds.

Huntington Investment Company (HIC)

Haberer entered into a Solicitor Agreement with Huntington Investment Company (HIC) in order to permit HIC brokers to refer clients to Haberer in exchange for compensation. HIC is a subsidiary of Huntington Bancshares, Inc. Please refer to Item 14 B on pages 20-21 for a discussion of this arrangement.

D. We do not select other investment advisers for our clients.

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

A. Code of Ethics

The SEC requires under Rule 204A-1 of the Investment Advisers Act of 1940 that registered advisers adopt a Code of Ethics. As employees of Haberer, it is our responsibility to conduct our business with the highest level of ethical standards with honesty, openness, integrity and trust, and to always keep our clients' interests before our own. This Code is distributed to employees annually with a signed receipt kept with the Compliance files.

Haberer has a duty of utmost good faith to exercise its authority and responsibility for the benefit of our clients and to not have outside interests that conflict with the interests of our clients. Haberer must avoid any circumstances that contradict our duty of complete loyalty to our clients. Our clients entrust us with their funds, which in turn places a high standard on our conduct and integrity. This fiduciary duty is the core principle underlying this Code of Ethics and Personal Trading Policy, and represents the expected basis of all of our dealings with our clients. This Code is available upon request.

B. Buying or Selling to a Client

No employee or related person of a Haberer employee buys or sells to a client any securities in which that employee or related person has a material interest. We do not have any "other" business interest other than investments for which we would solicit clients.

C. Employee Personal Trading

Haberer and its employees or anybody related to us, may invest in the same securities that we buy for clients. To manage this possible conflict of interest we are in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. We have adopted a firm wide policy statement and written supervisory procedures outlining personal trading compliance by us and our related persons as part of our Code of Ethics. It is our policy that no person employed by us may purchase or sell any security for a period of seven business days prior to or after a global transaction being implemented for client accounts, and therefore preventing such employees or related persons from benefiting from transactions placed on behalf of client accounts. Trades by employees and immediate family members are approved in advance and are checked against custodian statements quarterly. Our Chief Investment Officer also monitors personal trading of employees directly involved with client accounts. This is to avoid giving the employee any advantage over the client in any personal trades.

Haberer manages some employee and employee family accounts for which the fee can be up to .625% of our normal fee. Where the employee does not have input on the management of the accounts and/or there is a fee charged, there is no pre-clearance requirement.

Our Code of Ethics has information concerning conflicts of interest, client security and privacy and standards of conduct toward the client. We also have a separate Policy for Insider Trading that is about the disclosure and treatment of material non-public information that employees might have as a result of their contact with clients or in some other way.

In our Code of Ethics and Insider Trading Policy, Haberer has established the following restrictions in order to ensure its fiduciary responsibilities to the client:

- 1) we cannot place trades in our own accounts that is based on non-public information that was received because of our employment with Haberer,
- 2) we must comply with all applicable, federal advisory regulations governing registered investment advisory practices, and
- 3) any individual not abiding by the above may be subject to termination.

D. Personal Trade Time Restrictions

Employees may not buy or sell the same security that we are currently trading, or even considering trading, for our clients. The pre-clearance of that trade will not be approved. We have to wait seven business days before and after a “global” client trade. A global trade is when we trade a particular security for the majority of our clients all at once.

Our Code of Ethics and Insider Trading policy is available upon request if you would like more information. Please email us at Compliance@haberer.com or call us at 513-381-8200.

Item 12 Brokerage Practices

A. Selecting a Broker-Dealer

For discretionary accounts, Haberer may place orders for the execution of security trades through brokers, dealers or banks that HRIA selects and may pay a commission on these trades which is more than the commission another broker or dealer would have charged because of the receipt of research and other services that may benefit HRIA’s clients generally. HRIA seeks to obtain best execution of trades for the client meaning a reasonableness of commissions based on many factors including the cost of the trade, the reliability and expertise of the broker, the timeliness of the trade and the value of their research and administrative practices.

You, at all times, retain ownership of all securities in the brokerage/bank accounts. The broker or bank which is the custodian (keeper of the assets) is only the vehicle in which we do trades in your account. In determining the type of custodian (bank or broker), we consider what you want and what services we need so your account's bookkeeping, cash

management, and transactions are done correctly and efficiently. Although we may recommend a particular broker, the decision is still yours.

1. Research and other Soft Dollar Benefits.

Vandham and Charles Schwab provide Haberer with help for payment for certain items allowed under the Soft Dollar practices which is defined by the SEC as “arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction of client brokerage transactions to the broker-dealer.” We receive from them fair commission rates on all transactions and fair, if not superior, trading services.

We avoid the conflict of interest of increased trading in our client accounts by reducing the expenses associated with servicing our clients with research from soft dollars. We consider this part of our fiduciary care for our clients.

- a) Simply, Haberer is receiving a benefit because we use client broker commissions (soft dollars) to pay for research and other services instead of directly with cash (hard dollars).
- b) Charles Schwab is our main custodian because of their excellent service to our clients in client servicing, reporting and safekeeping of our clients’ assets. This is all considered part of “best execution” when considering the total cost of a trade.
- c) The trade commissions paid to Charles Schwab for the soft dollars are still competitive when comparing to other broker-dealers.
- d) The services we receive from soft dollars benefit all our clients, not only those whose transactions pay for the services. We do not try to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.
- e) Services that we may receive (but are not limited to) that are paid for by client commissions are investment research in the form of written company and industry reports, economic data, charts and graphs, price quotes and pricing of securities. Services that are not included in soft dollar practices are office overhead, computer hardware, the portfolio management software, referrals, exchange fees and consulting services.
- f) Charles Schwab soft dollars are paid by trading commissions in the Schwab accounts and Vandham soft dollars are paid by trades in the accounts custodied at banks.

2. Brokerage for Client Referrals

- a) We do not select or recommend broker-dealers based on whether we receive client referrals from anyone. Unless a broker is specified by a client, Haberer will choose the broker for individual trades and for “bundled” trade capabilities. We choose a brokerage firm based on the research and quality of execution of transactions and other services they may provide.
- b) To avoid any conflict, when we receive a Huntington referral, we do not place trades for that account through the HIC broker who referred the account. Please refer to Item 14 B. 2.

3. Directed Brokerage

- a) You have the option of instructing us to use a brokerage firm of your choice. Your commission rate will be set by that broker and may not necessarily be a low rate. If you “direct your brokerage firm” to one other than what may be generally used by Haberer, you may pay higher commissions. For example, you would not participate in the efficiencies of trading that benefits other clients because you are not “grouped” together with other client accounts when executing a large trade. Also, trades for directed broker accounts are done after the non-directed accounts are traded. In general, the relationship may cost the client more money.

If Haberer receives a client referral from a Huntington colleague (an affiliate), the account may be directed to Huntington Bank for custody. However, trades will be placed with an unaffiliated broker. There may also be disadvantages to “directed brokerage” accounts, usually from a “best execution” standpoint.

- b) If you want to request your own broker, you would let us know when you sign the Haberer agreements. Again, as stated above, you may not be able to receive trade executions as favorable as other clients, costing you more money. This is especially true because your trades are not combined with other client trades.

B. Block Trades

Haberer uses “block trading” whenever possible because it is more efficient and is generally cheaper than doing individual trades. A block trade may take place when two or more clients are trading the same security at the same time and at the same custodian. This is advantageous because: 1) it is in the best interest of each client participating in the order, 2) it is consistent with Haberer’s duty to obtain best execution, and 3) it is consistent with the terms of the investment advisory agreement of each participating client. All the trades combined together will trade at the same price and will share equally in the transaction costs, if applicable. Commission costs vary depending on whether your custodian is a bank

or a broker. Bank clients have average costs per share traded while broker accounts have a stated commission rate per client.

Item 13 Review of Accounts

A. Levels of Account Review

The accounts are reviewed on different levels. The Private Client Advisors receive a weekly report that shows the status of all their accounts regarding their asset allocation. The report also shows the percentage of cash in the accounts. The Private Client Advisor compares the actual vs. the “target” allocation based as specified on the client’s Investment Policy Statement. When the allocation is out of balance and requires a rebalancing, the Private Client Advisor will relate any need for change to the Investment Managers. The Portfolio Managers will make trade recommendations to the Private Client Advisor to put the accounts in line. The titles of the Portfolio Managers who make the trade recommendations are Chief Investment Officer and Senior Portfolio Manager.

The accounts are also reviewed by the Compliance Working Group for compliance testing. Specifically, the Chief Investment Officer and the Director of Compliance do the testing and are supervised by the Chief Compliance Officer. Considerations are the comparison of the actual asset allocation to the proposed asset allocation designated in the Investment Policy Statement.

B. What Triggers a Review?

There are some items other than market conditions that may prompt a review of your account. These include large deposits or withdrawals in the accounts. It may be changes in your financial situation that would mean changes need to be done in the portfolio holdings. It may be purely because it is your preference. It is important that you make sure you communicate any updates or upcoming changes to your Private Client Advisor.

C. Client Reports

You will receive regular quarterly reports from Haberer. You will also receive at least quarterly reports from the custodian that holds your assets. We encourage you to compare the two reports to find inconsistencies and to bring those to our attention. Each of these reports will include a list of your assets and the transactions for the period covered by the report. Our quarterly report will include each individual portfolio and a combined portfolio (if there is more than one portfolio). The review package also includes a market letter that gives our economic outlook for the upcoming quarter. The reports from Haberer are generated at the end of each quarter and will be sent out by the 15th of the month following that quarter.

Item 14 Client Referrals and Other Compensation

A. Other Compensation

Haberer does not have anyone who is not a client provide any economic benefit to us in exchange for us providing them investment advice or any other advisory services.

B. Client Referrals

Haberer does compensate for client referrals. Currently, we pay three sources (solicitors) for client referrals: 1) Charles Schwab Advisor Network (“Schwab”) and 2) Huntington Investment Company (HIC), an affiliate and 3) Huntington National Bank, also an affiliate. The arrangement and compensation are as follows:

- 1. Charles Schwab Advisor Network** - Haberer receives client referrals from Charles Schwab & Co., Inc. through our participation in Schwab Advisor Network (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of Haberer. Schwab does not supervise us and has no responsibility for the management of our clients' portfolios or other advice or services. Haberer pays Schwab fees to receive client referrals through the Service. Our participation in the Service may raise potential conflicts of interest described below.

Haberer pays Schwab a Participation Fee of .25% on all referred clients' accounts that are kept in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are kept at, or moved to, another custodian. The Participation Fee we pay is based on the average daily assets during the quarter of the client's account. Haberer pays Schwab the Participation Fee for as long as the referred client's account stays in custody at Schwab. The Participation Fee is billed to Haberer quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Haberer and not by the client. Haberer has agreed not to charge clients referred through the Service any more than the fees or costs we charge clients with similar portfolios who were not referred through the Service. In other words, Schwab referral clients pay our standard investment advisory fee shown in Item 5A above.

Haberer usually pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not kept at Schwab or if the assets in the account are transferred from Schwab. This Fee does not apply if the client was responsible for the decision not to keep the account at Schwab. The Non-Schwab Custody Fee is a one-time payment of 1.25% of the value of the assets at a custodian other than Schwab. Because the Non-Schwab Custody Fee is higher than the Participation Fees the advisor would usually pay in a single year, Haberer does have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Haberer clients who were referred by the Service and those referred clients' family members living in the same household. Thus, Haberer will have incentives to encourage household members of clients referred through the Service to keep their assets at Schwab, do trading at Schwab and to allow Schwab to debit Haberer fees directly from the clients' accounts.

For Haberer clients at Schwab, they will not charge the client separately for custody but will receive compensation from Haberer clients in the form of commissions or other transaction-related payment on securities trades done through Schwab.

2. Huntington (Huntington Investment Company and Huntington National Bank)

As previously mentioned in Item 10. C., Haberer has a solicitors arrangement with Huntington National Bank, which includes Huntington Investment Company. This permits Huntington colleagues to refer clients to Haberer in exchange for compensation. The colleagues who introduce the client to Haberer can receive up to 50% of the advisory fee during the time the client remains with Haberer. The fee schedule for Huntington clients is as follows:

Up to 1.50% on the first \$1,000,000 of market value

0.75% on the next \$4,000,000 of market value

0.50% on amounts over \$5,000,000 of market value

This is slightly higher than our normal fee schedule (see Item 5A for our standard fee schedule).

The client receives a current copy of Haberer's ADV Form, Part 2 and a Written Disclosure Statement detailing the relationship and affiliation between Huntington and Haberer. This is received by the client at least by the time of signing the agreements. It is the client's sole discretion as to whether to give Haberer discretionary authority over their account. At the time Haberer is hired, the client will complete account applications, an Investment Advisory Agreement, and the Investment Policy Statement with Haberer's help if desired.

The Huntington colleague receives up to ½ of the advisory fee but does not receive commission income at the same time. Haberer places trades for Huntington clients with another broker.

If a Huntington referral client refers someone else to Haberer, the Huntington colleague has the opportunity of receiving ongoing fees of up to 50% of the Huntington standard investment advisory fee schedule (above).

Neither Haberer nor Huntington will enforce the use of a particular broker-dealer/custodian. Trades will be executed at the discretion of Haberer.

Haberer and Huntington may terminate the arrangement between them without notifying the client. This would not affect the client's relationship with Haberer or the investment advisory fee charged to their account.

Item 15 Custody

Haberer has custody of client funds only because we have the authority from the client to withdraw investment advisory fees from their account. Because of this you are required to receive, at least quarterly, statements from your custodian, whether it is a broker or a bank. Most likely you will receive monthly statements. In addition to this, Haberer will also send you quarterly statements showing assets and transactions for the period. Both statements should be carefully reviewed by you and you should compare one to the other for any material inconsistencies that may exist. Please call us for any questions on your statements.

Item 16 Investment Discretion

Most of our clients give us full discretion in trading the investments in their account(s). Among the papers you sign when you become a client is the Bank Custody agreement if a bank is the custodian. It says Haberer can place trades on your behalf. If the account is held at a broker, the broker applications have a "limited power of attorney" section where you initial the specific authority you want Haberer to have which would include all or some of trading, withdrawing fees, and transfer of funds. It is up to you how much authority you want to give Haberer.

In addition to the custodian agreement, you will also complete an Investment Advisory Agreement on which you will designate whether you will give Haberer full investment discretion or not. With full discretion, Haberer will have full power to supervise and direct the investments of all account(s), making investment decisions and trading, all without prior consultation with you. This would only be done according to the objectives set forth in the Investment Policy Statement also completed by you. This is where you tell Haberer in general how to invest your assets.

If you do not want to give Haberer full discretion, you would mark "non-discretionary" on the advisory agreement. This means Haberer will make investment recommendations to you, and you will make the investment decisions in your own account(s) Haberer is then authorized to place orders for the trading of securities for the account for you.

With either level of discretion, you may put restrictions on a particular stock or a particular industry. These restrictions can be to NOT BUY or to NOT SELL. We also have the option of putting securities into an "unmanaged" section where you may not want us to have discretion with a portion of your assets. All of these particulars will be noted on the Investment Policy Statement when you become a client

Item 17 Voting Client Securities - Proxies

Haberer accepts authority to vote client securities by proxy. In accordance with the Investment Act Rule 206(4)-6 under the Investment Advisers Act of 1940, investment advisers are required to adopt proxy voting policies and procedures reasonably designed to ensure that the adviser votes proxies in your best interest. We have a duty as investment managers to make independent proxy decisions and to objectively decide what is in the best interests of all of our clients for whom these proxies are voted.

All proxies that the firm receives will be voted in accordance with the Guidelines listed below. A copy of all proxy votes will be maintained in a file, by year, for easy access.

Our Chief Investment Officer is responsible for proxy policy and voting implementation. Specific voting guidelines and reviews of unusual proxy proposals have been established.

In general, except in unusual circumstances, we will vote with the current corporate Directors according to their recommendations concerning elections, acceptance of independent accountants, split shares of common stock, issuance of new shares of stock and granting of stock options and/or other incentives to Officers and other Executives.

We will vote against issues such as cumulative voting for Board members, resetting of stock options at a lower price, special resolutions, proposals by shareholders to limit executive compensation, request for additional compensation information, requests for additional disclosure by the firm on social issues. We look for conflicts of interest that may exist.

Because we are an affiliate of Huntington Bank, we do not vote these proxies. Client may request that some or all proxies be sent to them if they want to vote themselves. Please contact us if you would like a copy of the policies and procedures or information on how a proxy was voted at Compliance@haberer.com.

Item 18 Financial Information

A. Prepayment of Fees

Haberer does not require prepayment of advisory fees from clients of more than \$1,200 per client, six months or more in advance. Therefore, we are not required to include a balance sheet.

B. Financial Condition

Haberer has discretionary authority over client assets. We have no financial condition that is reasonable likely to impair our ability to meet contractual commitments to our clients.

C. Bankruptcy

Haberer has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 Requirements for State-Registered Advisers

This does not apply to Haberer as we are registered with the SEC instead of being state-registered.

Item 20 Miscellaneous Items

A. Class Action Lawsuits

Some custodians automatically file class action lawsuits for clients. Haberer will submit proofs of claims only if the client requests it (current clients only) and will only go back five years from current date to research trades. We only assist clients as an administrator and/or consultant. We do not have any legal capacity with respect to class action filings.