

Form ADV Part 2A: Disclosure Brochure

Messner & Smith

**530 B. Street, Suite 300
San Diego, California 92101**

Phone: 619.239.9049

Fax: 619.239.0838

www.messnersmith.com

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This brochure provides information about the qualifications and business practices of Messner & Smith. If you have any questions about the contents of this brochure, please contact us at 619.239.9049. 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 Messner & Smith is available on the SEC's website at www.adviserinfo.sec.gov.

Messner & Smith is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Messner & Smith will notify its clients of material changes on an annual basis. However, where the firm determines that an interim notification is either meaningful or required, the firm will notify its clients promptly. In either case, Messner & Smith will notify its clients in a separate document.

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Item 4 Advisory Business

Description of Services and Fees

Messner & Smith Investment Management, Ltd. d/b/a Messner & Smith is a registered investment adviser primarily based in San Diego, California. We are organized as a corporation under the laws of the State of California. We have been providing investment advisory services since 1985. John D. Messner and Ellis C. Smith are our principal owners. Currently, we provide investment advice and management services to individually managed accounts and an investment limited partnership.

The following paragraphs describe our services and fees, which includes information on how we tailor our advisory services to your individual needs. As used in this brochure, the words “we”, “our” and “us” refer to Messner & Smith and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm.

Portfolio Management Services

We offer discretionary portfolio management services through four investment strategies: Midcap Equity, SMID Equity, SmallCap Equity, and Balanced Portfolios. Our investment advice is tailored to meet our clients’ needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the “suitability information”) at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio’s performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

To participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedules:

Midcap Equity

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$10 million	1.00%
Next \$10 million.....	0.85%
Next \$10 million.....	0.80%
Thereafter.....	0.70%

SMID Equity

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$10 million	1.00%
Next \$15 million.....	0.85%
Thereafter.....	0.75%

SmallCap Equity

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$15 million	1.00%
Next \$15 million.....	0.85%
Thereafter.....	0.75%

Balanced Portfolios

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$5 million	1.00%
Next \$10 million.....	0.85%
Next \$10 million.....	0.80%
Thereafter.....	0.70%

Our annual portfolio management fee is billed and payable quarterly in advance based on the net market value of your account on the last day of the previous quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We believe that our fees are competitive with the fees charges by other investment advisers for comparable services. However, comparable services may be available from other sources for lower fees than those charged by our firm.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Management Services to Pooled Investment Vehicles

We provide discretionary management services to the Manta Fund, L.P. (the "Fund"), an investment limited partnership to which our firm serves as general partner.

Our relationship with the Fund is terminable on the expiration of the term of the partnership or dissolution of the partnership pursuant to the terms of the Fund's partnership agreement or on our withdrawal as general partner to the Fund. Each investor is able to withdraw from the Fund, on specified prior written

notice, on the last day of any quarter. In all cases, expenses on the pro rata portion of the annual fee through the date of termination are charged to the client.

The Fund is offered only to investors meeting certain sophistication and financial requirements and only by private placement memorandum and other offering documents. Investors and prospective investors should refer to the offering documents for the Fund for a complete description of the risks, investment objectives and strategies, fees and other relevant information pertaining to investments in the Fund.

Wrap Fee Programs

We are a portfolio manager to several wrap fee programs. A wrap fee program is a type of investment program that provides clients with access to several money managers for a single fee that includes administrative fees, management fees, and commissions. We receive a portion of the wrap fee paid to the plan sponsor for our services. The overall cost if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

Types of Investments

We offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund shares, US Government securities, options contracts on securities, and interest in investment limited partnerships.

Additionally, we may advise you on other types of investments that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

Assets Under Management

As of 03/31/2011, we manage \$280,666,000 in client assets on a discretionary basis.

Item 5 Fees and Compensation

Please refer to the “Advisory Business” section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund’s prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the “Brokerage Practices” section of this brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities, and investment limited partnerships.

Minimums vary depending on program and custodial features. For example, we require a minimum of \$1mm for individually managed accounts. A bundled fee program requires a \$400,000 minimum while the minimum for most wrap programs is \$100,000. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

Investors in the Fund are required to invest a minimum of \$100,000. We reserve the right to waive this minimum.

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

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Fundamental Analysis – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis – a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our Midcap Equity portfolios invest in companies with market capitalization of \$1 to \$10 billion at purchase. The SMID Equity portfolios generally invest in all companies held in the Midcap and SmallCap strategies which reduces average position size and results in greater diversification and a larger number

of holdings. The SmallCap Equity portfolios invest in companies with a market capitalization of \$200 million to \$2 billion at purchase. Balanced Portfolios are managed based on long-term strategic allocation to equity and fixed income securities. Target allocations (and ranges) are developed based on the individual risk requirements of clients with the typical target of 60% equity and 40% fixed income/cash.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

With cyclical analysis, economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this brochure, we recommend the several types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. However, our portfolios are generally comprised of equity or fixed income securities. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring the risk of equity securities (also known simply as “equities” or “stock”). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. Additional individual company risk components monitored include event risk, competitive risk, fundamental risk and economic risk.

The fixed income portion of our balanced portfolios is focused on short to intermediate term, high quality corporate and government fixed income securities. The firm also uses fixed income ETFs for accounts where it is more practical due to size. We believe this emphasis helps our clients achieve competitive fixed income returns with less risk, thereby improving the diversification of their balanced portfolios.

Item 9 Disciplinary Information

Messner & Smith has been registered and providing investment advisory services since 1985. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

We serve as the general partner to Manta Fund, L.P. (the “Fund”), which is an investment limited partnership. The Fund is offered to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund are separate and apart from our advisory fees. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. Persons affiliated with our firm may have made an investment in the Fund and may have an incentive to recommend the Fund over other investments.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions

We serve as the general partner to Manta Fund, L.P. (the "Fund"), which is an investment limited partnership. Persons associated with our firm may have significant investments in the Fund. If you are an investor in the Fund, please refer to the Fund's offering documents for detailed disclosures regarding the Fund. Additionally, individuals associated with our firm may buy or sell – for their personal account(s) - investment products identical to those purchased by the Fund. This practice may create a conflict of interest because we have the ability to trade ahead of the Fund and potentially receive more favorable prices than the Fund will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over the Fund in the purchase or sale of securities.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Research and Other Soft Dollar Benefits

In selecting or recommending a broker-dealer, we will consider the value of research and additional brokerage products and services a broker-dealer has provided or will provide to our clients and our firm. Receipt of these additional brokerage products and services are considered to have been paid for with "soft dollars." Because such services could be considered to provide a benefit to our firm, we may have a conflict of interest in directing your brokerage business. We could receive benefits by selecting a particular broker-dealer to execute your transactions, and the transaction compensation charged by that broker-dealer might not be the lowest compensation we might otherwise be able to negotiate.

Products and services that we may receive from broker-dealers may consist of research data and analyses, financial publications, recommendations, or other information about particular companies and industries (through research reports and otherwise), and other products or services (e.g., software and data bases) that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Consistent with applicable rules, brokerage products and services consist primarily of computer services and software that permit our firm to effect securities transactions and perform functions incidental to transaction execution. We use such products and services in our general investment decision making, not just for those accounts for which commissions may be considered to have been used to pay for the products or services.

The test for determining whether a service, product or benefit obtained from or at the expense of a broker constitutes “research” under this definition is whether the service, product or benefit assists our firm in investment decision-making for discretionary client accounts. Services, products or benefits that do not assist in investment decision-making for discretionary client accounts do not qualify as “research.” Also, services, products or benefits that are used in part for investment decision-making for discretionary client accounts and in part for other purposes (such as accounting, corporate administration, recordkeeping, performance attribution analysis, client reporting, or investment decision-making for the firm’s own investment accounts) constitute “research” only to the extent that they are used in investment decision-making for discretionary client accounts.

Before placing orders with a particular broker-dealer, we determine that the commissions to be paid are reasonable in relation to the value of all the brokerage and research products and services provided by that broker-dealer. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts charged by another broker-dealer that did not provide research services or products.

We do not exclude a broker-dealer from receiving business simply because the broker-dealer does not provide our firm with soft dollar research products and services. However, we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients’ accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. In addition, we may not allocate soft dollar benefits to your accounts proportionately to the soft dollar credits the accounts generate. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest.

We have instituted certain procedures governing soft dollar relationships including preparation of a brokerage allocation budget, mandated reporting of soft dollar irregularities, annual evaluation of soft dollar relationships, and an annual review of this brochure to ensure adequate disclosures of conflicts of interest regarding our soft dollar relationships.

Soft dollar benefits we receive, including those that we received during our firm’s last fiscal year, include compensation towards First Call research on fundamental information. This is not an exhaustive list and the research or other products we use with soft dollar benefits may change from time to time. In directing client transactions to a broker-dealer in return for soft dollars during our last fiscal year, we followed our procedures governing soft dollar relationships described in the previous paragraph.

Directed Brokerage

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all

transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13 Review of Accounts

John D. Messner, CEO and Ellis C. Smith, CAO will monitor your account(s) on an ongoing basis and will conduct account reviews at least a weekly to ensure the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will provide you with a quarterly letter stating the investment performance of your account(s). You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Item 14 Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with broker-dealers.

Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

In our capacity as general partner to Manta Fund, L.P. (the "Fund"), an investment limited partnership, we will have access to the Fund's funds and securities, and therefore have custody over such funds and securities. We provide each investor in the Fund with an audited annual financial statement. If you are a

Fund investor and have questions regarding the financial statement or if you did not receive a copy, please contact us directly at the telephone number on the cover page of this brochure.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

Item 17 Voting Client Securities

We will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Our Proxy Voting Policy and Guidelines are structured to ensure that each vote is determined on a case-by-case basis taking into consideration all relevant facts and circumstances at the time of the vote. As we receive proxy materials, they are forwarded to the analyst/portfolio manager who sponsored and recommended the stock for inclusion in the respective portfolios. The analyst/portfolio manager shall examine the proxy and make recommendations as to how such proxy will be voted. We will research each proposed issue to ensure that the proxy is voted in your best interest. It is our practice to vote against issues that are expected to negatively impact shareholders rights and where it might adversely impact the current or potential market value of a company's securities.

In the event you wish to direct our firm on voting a particular proxy, you should contact Ellis C. Smith at 619.239.9049 with your instruction.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in our trade error account to offset any future losses and you will not keep the profit.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.