

Item 1 – Cover Page

Form ADV

Part 2A

June 1, 2015 Brochure

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This brochure provides information about the qualifications and business practices of Hays Advisory, LLC (“Hays Advisory”). If you have any questions about the contents of this brochure, please contact us at (615) 467-6070 or info@haysadvisory.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about Hays Advisory also is available on the SEC’s website at www.AdviserInfo.sec.gov.

Item 2 – Summary of Material Changes

This Brochure is prepared in the revised format required by the SEC beginning in 2011. Registered Investment Advisers are required to use this format in order to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The new Brochure requirements include providing a Summary of Material Changes (the “Summary”) reflecting any change to our policies, practices, or conflicts of interest made since our last annual update. This Summary is provided to all clients within 120 days of our fiscal year-end. Our last annual update was filed on February 24, 2015. Of course the complete Brochure is available to clients at any time upon request.

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Item 4 - Advisory Business

Based in Brentwood, Tennessee, Hays Advisory invests for the long-term. Founded in 1999, we are an independent, employee-owned investment firm that manages portfolios for both individual and institutional clients. We also offer stock market and economic commentary and research to individual and institutional clients.

Hays Advisory's strategy is to take advantage of opportunities at major market turning points. Because market expectations are often wrong at or near these turning points, emotional decision-making can lead to investor underperformance. Using a tactical asset allocation model, our strategy attempts to remove emotion from the investment process.

Hays Advisory is owned by the Don Hays Irrevocable Trust, Don Hays, Jeff Hays, Keith Hays, Mark Dodson and John Hays. Jeff Hays is President and Keith Hays is Executive Vice President. Please see Brochure Supplement(s), Exhibit A, for more information on these owners and other individuals who formulate investment advice and have direct contact with clients, or have discretionary authority over client accounts. As of December 31, 2014, Hays Advisory managed \$975,880,908 of assets on a discretionary basis.

Hays Advisory's Portfolio Management Services

To the fullest extent possible, we will endeavor to tailor our advisory services to meet the specific needs of each and every client. In order to determine a suitable course of action for you, we will perform a review of your financial circumstances and other factors that may influence the investment recommendations we may make from time to time. Such review may include, but would not necessarily be limited to, investment objectives, consideration of your overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to your particular circumstances. In making investment recommendations on your behalf, we will rely on a data gathering document or other questionnaire, which will be completed based on information you provide.

Hays Advisory will manage the client's investment portfolio on a discretionary basis. As a discretionary investment adviser, Hays Advisory will have the authority to supervise and direct the portfolio without prior consultation with the client.

You are allowed to place reasonable restrictions upon the investments held in your account(s). We consider reasonable restrictions to include those that do not affect more than 10% of the model holdings. If restrictions affect more than 10% of the model holdings, we reserve the right to refuse or terminate the account at our discretion. Also, a restriction placed on a specific stock, industry group or sector is considered reasonable. An example of a restriction that would be deemed unreasonable would be a restriction against owning/buying a security that is below \$10 /share or restricting owning/buying companies whose ticker symbols start with "T."

Hays Advisory utilizes an asset allocation model methodology to guide our investment management decisions. The asset allocation model determines the percentage of assets that are appropriate to invest in equities, ETFs, bonds and cash at any given time for several different types of investors. The goal of our model-driven discipline is to move more assets away from equities when the model indicates higher market risk and allocate more assets to equities while in the early stages of the up cycles. This approach is not a short-term market timing strategy. It is also unlike a typical "style-box" strategy that remains fully invested in all market environments regardless of the risk/reward potential. The approach has an inherent long-term bullish bias, but its tactical nature allows the flexibility to move away from equity positions to cash or bonds when risk is deemed high.

Some clients have chosen to engage Hays Advisory for Portfolio Management Services through its wrap program (the "Hays Advisory Wrap Program" or the "Program") in order to simplify the payment of management fees and brokerage expenses. This program is closed to new investors. However, current clients with open accounts in the Hays Advisory Wrap Program have the option to open additional accounts within the Program. The Program does not include any outside managers. Our services in connection with the Hays Advisory Wrap Program will not differ materially from our discretionary ongoing asset management services with the exception of the wrap fee component.

Third-Party Wrap Programs

Hays Advisory also participates as a portfolio manager of separately managed accounts in several third-party wrap programs. Other investment professionals may recommend that their clients participate in a wrap program in which they may select Hays Advisory to provide investment management services. For more information about the third-party

wrap program, please refer to the Wrap Sponsor's Wrap Brochure which will explain the details of their wrap arrangements.

Model Portfolios on Third-Party Platforms

We also provide Model Portfolio recommendations to broker/dealers, investment advisers, or other financial services companies who, in turn, offer the Model Portfolio to their respective clients. Model Portfolio recommendations are provided on a non-discretionary basis and we have no supervisory or oversight responsibilities with regard to the clients' assets invested according to the Model Portfolio by another service provider.

Hays Advisory's Research Reports or other Publications

We provide stock market and economic commentary and research to individual and institutional clients. These materials may be utilized by our clients in their own investment decision-making processes.

Item 5 - Fees and Compensation

General Advisory Fee Information

Clients enter into one of two fee arrangements. Generally, clients elect to pay management fees to Hays Advisory separately from the brokerage expenses of the account. Accordingly, client accounts pay a management fee, plus the cost of transactions in the account. The brokerage expenses may take the form of asset-based pricing, meaning that the broker/dealer charges the account a flat-rate percentage to cover all brokerage expenses, or these expenses may be assessed on a per-trade basis. Please see ***Item 12 - Brokerage Practices*** for additional information.

Alternatively, some clients may engage in the Hays Advisory Wrap Program. The Wrap Program fee structure includes the brokerage expenses (e.g., commissions, ticket charges, etc.) of the account as well as the management fee paid to Hays Advisory. Under the all-inclusive billing alternative, Hays Advisory will assess one client fee that captures the management, brokerage and administrative portions collectively. Inasmuch as Hays Advisory pays to broker/dealers the transaction and execution costs associated with client accounts, this may create a disincentive for Hays Advisory to trade securities in accounts.

In either of these arrangements, the fees noted above are separate and distinct from the internal fees and expenses charged by mutual funds, Exchange Traded Funds (ETFs), or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, Hays Advisory and others to fully understand the total amount of fees paid by the client for investment and financial-related services. Please see ***Item 12 - Brokerage Practices*** for additional information.

Fee Collection

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. For our direct advisory services described above, we receive our fees by automatic fee deduction via the custodian unless you otherwise request in writing to be invoiced quarterly. Regardless of the method you choose, you will be solely and directly responsible for all fees, including fees other than those related to the services we provide.

If you are accessing our services through a third-party Wrap Program, please see their Wrap Program Brochure for more information regarding that Program's options for collection of the wrap fee. Some may not allow for invoicing of fees.

Advance Billing and Fee Refunds

As described above, our advisory fees are generally charged in advance. Fees paid in advance will be considered earned and non-refundable to you up to the effective termination of your Agreement with us. The termination process is described in the Agreement. Upon receipt of a proper notice of termination, we will calculate a prorated refund of any fees not yet earned by us after the effective termination date of the Agreement. The prorated refund will equal the total number of calendar days remaining in the billing period after the termination date to the end of that billing period divided by the total number of calendar days in that billing period. The result of that calculation will be multiplied by the total fee already paid for that billing period. The result of that calculation will represent the refund owed to you. Refunds shall be paid as soon as reasonably possible but not sooner than ten (10) business days after our receipt of a proper termination notice. In the event of a withdrawal of funds or the termination of an account, any fees,

commissions (not charged or earned by Hays Advisory) or other expenses associated with rebalancing or liquidating the account's holdings may be assessed against your account. Specific fee arrangements are described fully in your Agreement with us.

In the event of a withdrawal of funds or the termination of an account, any fees, commissions or other expenses associated with rebalancing or liquidation the account's holdings may be assessed to your account.

Hays Advisory's Managed Portfolio Fees

The annual fee schedule is based on a percentage of assets under management. The standard annual investment management fee for Hays Advisory's investment advisory services is as follows:

<u>Account Asset Value</u>	<u>Annual Fee Rate</u>
On the first \$1,000,000	1.40%
On the next \$2,000,000	0.75%
On the next \$2,000,000	0.65%
On assets over \$5,000,000	0.50%

Hays Advisory may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where Hays Advisory deems it appropriate under the circumstances. Specific fee arrangements are described fully in your Agreement with us.

The minimum portfolio value is generally set at \$500,000. Should the market value of your account fall below the stated minimum, as agreed to in your Agreement, because of withdrawals, distributions, or your request to transfer account assets, we will have the right to require that additional monies be deposited to bring the account value up to the required minimum, or terminate the account. In some circumstances, minimum account values may be negotiable.

Hays Advisory's Wrap Program Fees

As described above, clients may participate in Hays Advisory's Wrap Program. Clients participating in the Wrap Program will generally pay the fees listed below, but do not separately pay brokerage expenses in the account(s) managed by Hays Advisory.

<u>Account Asset Value</u>	<u>Annual Fee Rate</u>
\$0 to \$249,999	2.00%
\$250,000 to \$499,999	1.75%
\$500,000 to \$999,999	1.50%
\$1,000,000 to \$1,999,999	1.25%
\$2,000,000 to \$4,999,999	1.00%
\$5,000,000 and up	Negotiable

The minimum portfolio value is generally set at \$500,000. Should the market value of your account fall below the stated minimum, as agreed to in your Agreement, because of withdrawals, distributions, or your request to transfer account assets, we will have the right to require that additional monies be deposited to bring the account value up to the required minimum, or terminate the account. In some circumstances, minimum account values may be negotiable.

Hays Advisory may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where Hays Advisory deems it appropriate under the circumstances. Specific fee arrangements are described fully in your Agreement with us.

Third-party Wrap Programs Fees

A wrap fee generally includes execution and custodial services provided by the wrap program sponsor. We typically serve in the role of sub-advisor through the wrap program and receive annual fees from .25% - .50% of the value of accounts participating in a third-party wrap program. You should review the sponsor's disclosure brochure for details regarding any specific wrap program.

The minimum portfolio value generally ranges from \$50,000 - \$100,000 depending on the particular wrap program. Should the market value of your account fall below the stated minimum, as agreed to in your Agreement, because of

withdrawals, distributions, or your request to transfer account assets, we will have the right to require that additional monies be deposited to bring the account value up to the required minimum, or terminate the account. In some circumstances, minimum account values may be negotiable.

Depending on the particular program, the wrap fee you pay may also include our advisory fee, which would be payable by the sponsor to us. Other programs may require us to enter into a separate agreement with you, in which case you would pay us directly by automatic fee deduction via the custodian unless you otherwise request in writing to be invoiced quarterly.

When one or more Managers are utilized, the Manager(s)' fees will be separate from and in addition to Hays Advisory's fee.

Model Fees on Third-Party Platforms

Fees for Model Portfolio recommendations are individually negotiated with each Third-party Platform where our models are offered. We do not maintain a standard fee schedule for such services. Your broker/dealer, investment adviser, or other financial services company will make arrangements with you to invoice you or automatically deduct our Model Provider Fee from your account, which would be payable by the that firm to us. Specific fee arrangements will be described fully in your agreement with your financial advisor, broker/dealer and/or custodian.

Hays Advisory's Research Reports or other Publications

The Individual Subscription to HaysAdvisory.com is \$250 annually and provides subscribers with the following reports:

Hays Market Indicators – Daily
60+ market indicators updated each day.

Hays World Wrap – Mondays
Summary of the previous week's investment scene from asset classes, bonds, commodities, real estate, and international equities, along with US sectors and styles.

Hays Sector Survey – Wednesdays
A summary of our current proprietary sector rankings, including charts and written update.

Hays Market Outlook – Thursdays
An update on relevant issues in the stock market. Includes a current summary of Psychology, Monetary & Valuation. Contains a market update, as well as a key indicator chart section.

The annual subscription fee is not negotiable and is paid yearly in advance of publication. There is no early cancellation/refund policy. Subscribers will be opted into an auto-renewal process for future renewals. Subscribers will have a chance to opt-out of this auto-renewal process via a notice that will be sent 14 days prior to each renewal.

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

Hays Advisory does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Hays Advisory has no performance-based fee accounts, it has no side-by-side management.

Item 7 - Types of Clients

We will generally provide our services to individuals, high net worth individuals, municipal or government entities, pension plans / profit sharing plans, foundations / charitable organizations, trusts and estates for natural persons, other investment advisers, banking or thrift institutions and broker-dealers.

For information on any minimum fees, minimum initial/ongoing account balances, or other conditions we may impose, please refer to Item V.

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

Methods of Analysis

In the course of our management process, the investment staff implements the Hays Asset Allocation model which largely depends on technical and quantitative methods of analysis. We closely examine numerous market indicators in three main categories: Investor Psychology, Monetary Conditions, and Market Valuation. Correlated to past market performance, these indicators are measured, scored, and weighted based on their historical utility and produce the firm's long-term market outlook. At its core, this quantitative model's indicators are designed to reveal how investors feel, how liquidity can impact the market, and how equities are valued. These categories are complemented by the fourth leg of the Hays investment process: the Market Trend Analyzer, a proprietary tool that utilizes moving averages and price movement to recommend defensive moves in the portfolio in the event significant market declines occur when the core indicators are not suggesting a defensive stance.

This unemotional approach directs the asset allocation moves of the investment staff; there is very little subjectivity involved. The model makes it possible to raise cash when data suggests market risks are high and then add to equity positions as the long-term outlook improves. After the members of investment staff decide how to divide money between the different asset classes, they perform additional fundamental/quantitative and technical screens designed to identify individual stocks or ETFs which are potentially attractive investments for our clients' accounts.

Lastly, investment staff members examine several factors including technical and fundamental analysis to determine which stock or ETF among these candidates will be added to the portfolios.

In general, we use fundamental/quantitative and technical analysis to determine if a position is vulnerable to decline. Similar to our purchase considerations, we regularly monitor specific indicators of the securities that we own. If we see significant deterioration in one or more of these, we will examine the security's technical characteristics. Finally, we will consider our market analysis as well as the overbought/oversold condition to determine if a position needs to be sold.

Definitions

Charting / Technical – The terms “charting” and “technical” analysis are generally used synonymously and therefore, for the purpose of this document, we will use the term, “technical analysis.” In most cases, technical analysis involves the evaluation of historical market data such as price and volume of a particular security or investment instrument. Technical analysis often times involves the use of charts, graphs, and other tools to evaluate historical factors relating to the investment instrument and perhaps the market as a whole. The goal of technical analysis is to try to identify historical trading patterns that suggest future trading activity or price targets. We specifically examine moving averages and relative strength in our investment process.

Fundamental -- Fundamental analysis is generally the considered the opposite approach to technical analysis. Fundamental analysis involves the attempt to identify the intrinsic value (i.e. the actual, true/real value) of an investment instrument by examining any related economic, financial, and other quantitative/qualitative factors relevant to that instrument. Fundamental analysis can take into account anything that may impact the underlying value of the instrument. Examples of such things may include large-scale economic issues such as the overall condition or current cycle of the economy, industry-specific or sector-specific conditions, etc. Other company/issuer-specific factors may also be taken into consideration such as the company's/issuer's current financial condition, management experience and capabilities, legal/regulatory matters, the overall type and volume of current and expected business, etc.

One of the goals of fundamental analysis is to attempt to derive a value that can be compared to the current market price for a particular financial instrument in hopes of determining whether the instrument is overpriced (time to sell) or underpriced (time to buy). We specifically analyze relative valuation and focus on stocks and ETFs with a strong return on capital and earnings yield.

Investment Strategies

In the course of our management process and as appropriate on a case by case basis, we will employ any of the following investment strategies.

- **Long-Term Purchases:** Long-term purchases generally involve the acquisition of an investment instrument and holding it for a period of at least one year.
- **Short-Term Purchases:** Short-term purchases generally involve the acquisition of an investment instrument and holding it for a period of not more than one year.
- **Trading:** Trading generally involves the acquisition of an investment instrument and holding it for a period of at not more than thirty days.
- **Margin Trading:** Margin trading, or “trading on margin,” as it is generally stated, involves the ability to purchase a dollar value of securities that is greater than the dollar value of funds you have available for the purchase. Essentially, trading on margin means that you can borrow additional funds, generally from the firm that holds your brokerage account, to purchase investment instruments that exceed the amount with which you have funded your account.
- **Option Writing (including covered/uncovered options or spreading strategies:** We will also employ the use of options trading in the event that such trading complements an investment strategy we may be carrying out for a particular client. An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price (i.e. the “exercise price”) by exercising the option before its specified expiration date. Options giving you the right to buy are called “call” options. Options giving you the right to sell are called “put” options. When trading options on behalf of a client, we may use covered or uncovered options or various strategies such as spreads and straddles. Covered options involve options trading when you own the underlying instrument on which the option is based. Uncovered options involve options trading when you do not own the underlying instrument on which the option is based. Spread options are options whose values are derived from the difference in price of two different underlying assets or components.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses. Risks are discussed in more detail in the “*Risk of Loss*” section below.

Model Portfolios

All of our discretionary accounts are invested according to one or more of the following model portfolios. Determining which model or models are appropriate for the client is based upon factors such as your investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors.

Long-term Growth-The Long Term Growth strategy allows for a client's portfolio to be invested in as much as 100% equities with a minimum of 50% when market risk rises. Long-term Growth is an all-capitalization, growth-biased strategy which typically invests in 30 to 40 equity positions at any given time. When our asset allocation model recommends less equity exposure, assets may be shifted to an increased cash position or Fixed income allocation.

Moderate Growth- The Moderate Growth strategy is balanced in its approach and allows for a client's portfolio to be invested in as much as 85% equities with a minimum of 40% when market risk rises. Moderate Growth is an all-capitalization, growth-biased strategy which typically invests in 30 to 40 equity positions at any given time. When our asset allocation model recommends less equity exposure, assets may be shifted to an increased cash position or Fixed income allocation.

Conservative Growth- The Conservative Growth strategy is balanced in its approach and allows for a client's portfolio to be invested in as much as 65% equities with a minimum of 30% when market risk rises. Conservative Growth is an all-capitalization, growth-biased strategy which typically invests in 30 to 40 equity positions at any given time. When our asset allocation model recommends less equity exposure, assets may be shifted to an increased cash position or Fixed income allocation.

Global ETF- The Global ETF strategy allows for a client's portfolio to be invested in as much as 100% equity ETFs with a minimum of 0% when market risk rises with allocation constraints for Domestic ETFs of 0-75% and International ETFs of 0-75%. Global ETF is an actively managed portfolio which typically invests in 15 to 30 positions at any given time. When our asset allocation model recommends less equity exposure, assets may be shifted to an increased cash position or Fixed income allocation.

International ETF- The International ETF strategy allows for a client's portfolio to be invested in as much as 100% International equity ETFs with a minimum of 0% when market risk rises. International ETF is an actively managed portfolio which typically invests in 7 to 15 positions at any given time. When our asset allocation model recommends less equity exposure, assets may be shifted to an increased cash position or Fixed income allocation.

Domestic Equity ETF- The Domestic Equity ETF strategy allows for a client's portfolio to be invested in as much as 100% Domestic equity ETFs with a minimum of 0% when market risk rises. Domestic Equity ETF is managed according to a sector and style rotation strategy. This portfolio will typically hold the top 3 to 4 sector ETFs and the top 1 to 2 style ETFs based upon our Relative Strength analysis. When our asset allocation model recommends less equity exposure assets, may be shifted to an increased cash position or Fixed income allocation.

Tactical Multi Asset Class ETF Portfolio- The TMAC ETF Portfolio allows for a client's portfolio to be invested in up to 50% equity ETFs. This portfolio may be fully invested in all asset classes using actively managed ETF positions or hold up to 100% cash. The TMAC ETF Portfolio is an actively managed portfolio that strategically utilizes diversification across less-correlated asset classes such as domestic stocks, international stocks, real estate, commodities, and fixed income along with our asset allocation model to try to reduce overall portfolio volatility.

Tactical Multi Asset Class Equity Focused ETF Portfolio-The TMAC Equity Focused ETF Portfolio allows for a client's portfolio to be invested in up to 85% equity ETFs. This portfolio may be fully invested in all asset classes using actively managed ETF positions or hold up to 100% cash. The TMAC Equity Focused ETF Portfolio is an actively managed portfolio that strategically utilizes diversification across less-correlated asset classes such as domestic stocks, international stocks, real estate, commodities, and fixed income along with our asset allocation model to try to reduce overall portfolio volatility.

Pyramid- The Pyramid strategy allows for a client's portfolio to be invested in as much as 100% equities with a minimum of 50% when market risk rises. This strategy is managed with the same principles as Long Term Growth, however, the Pyramid portfolio has historically been managed with a slightly stricter and at times more aggressive stock selection strategy. This portfolio is not actively marketed as a strategy to clients.

Tactical Multi Asset Class Index ETF Portfolio-The TMAC Index ETF Portfolio allows for a client's portfolio to be invested in up to 50% equity Index ETF positions. This portfolio may be fully invested in all asset classes using broad-based Index ETF positions or hold up to 100% cash. The TMAC Index ETF Portfolio is an actively managed portfolio that strategically utilizes diversification across less-correlated asset classes such as domestic stocks, international stocks, real estate, commodities, and fixed income along with our asset allocation model to try to reduce overall portfolio volatility. This portfolio is not actively marketed as a strategy to clients.

Tactical Multi Asset Class Leveraged ETF Portfolio- The TMAC Leveraged ETF Portfolio starts with a 20% base position in five "sleeves" – Domestic Equity, International Equity, Commodities, REITs and Treasury Bonds. Each "sleeve" is allowed to grow to a maximum of 25% of the portfolio. This portfolio may be fully invested in all asset classes using broad-based Index ETF positions or hold up to 100% cash. This portfolio can use up to 2X leveraged index ETFs for the Domestic and International sleeve but it does not leverage the REIT, Commodity or Treasury positions. The TMAC Leveraged ETF Portfolio is an actively managed portfolio that uses an asset allocation model and technical tools called Market Trend Analyzers to identify opportunity and risk. This portfolio is not actively marketed as a strategy to clients.

*While our goal is to always adhere to the recommended maximum and minimum asset allocation constraints, market conditions or other special situations may cause a greater variance.

Sub-Advisers

Hays Advisory has retained the services of Cypress Capital, LLC, a related investment adviser under common control with Hays Advisory, to act as a sub-adviser to certain clients of Hays Advisory. Such services include, but are not limited to, the periodic and ongoing review of certain designated accounts of Hays Advisory to make discretionary

determinations regarding advisable changes to the allocations and specific investments of the accounts.

In addition, Cypress manages the Strategic Income Model. In certain circumstances Hays Advisory may invest a portion or all of a client's portfolio in the Strategic Income Model, which is designed to produce current income while attempting to mitigate interest rate risk. The model's primary goal is current income with a secondary goal of capital appreciation. The strategy will typically invest at least 80% of its assets in various income producing instruments and at times use hedging strategies in an attempt to reduce portfolio duration.

Risk of Loss

While Hays Advisory seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money. ***Below is a description of several of the principal risks that client investment portfolios face, and that investors must be prepared to bear.***

Capital Risk - Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

Credit Risk - Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

Currency Risk - Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

Economic Risk - The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

Financial Risk - Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the "dot com" companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

Higher Trading Costs – For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

Inflation Risk - Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

Interest Rate Risk - Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying

investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

Legal/Regulatory Risk - Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

Liquidity Risk - Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

Margin Risk

- You can lose more funds than you deposit in a margin account. A decline in value of securities that are purchased on margin may require you to provide additional funds to the custodian holding your margin account in order to avoid a forced sale of those securities or other securities in your account.
- The custodian holding your margin account can force the sale of securities in your margin account. If the equity in your account falls below the margin maintenance level required by law or below the custodian's "house" requirement, the custodian can sell the securities in your account to cover the margin deficiency. You will be responsible for any shortfall in the account after such sale.
- Securities can be sold without contacting you prior to sale. Some investors mistakenly believe they must be contacted before a margin call becomes valid and that securities in their accounts cannot be liquidated to meet the call unless they have been contacted ahead of time. Most firms will attempt to notify you of margin calls, however, they are not required to do so. Even if the custodian has contacted you to provide a specific date by which you can meet a margin call, the custodian can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.
- You are not entitled to choose which securities in your margin account are liquidated or sold to meet your margin call. Because the securities are used as collateral for the margin loan, the custodian has the right to decide which securities to sell in order to protect its interests.
- The custodian can increase its "house" maintenance requirement at any time and is not required to provide you with advance, written notice. These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. Your failure to satisfy this call may cause a forced liquidation in your account.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have the right to the extension.

Market Risk - The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

Operational Risk - Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

Technical Analysis Risk (Past Performance) - Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should

realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer.

Strategy Risk - There is no guarantee that the investment strategies discussed in this document will work under all market conditions and you should evaluate your ability to maintain any investment you are considering in light of your own investment time horizon. Investments are subject to risk, including possible loss of principal.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Hays Advisory or the integrity of Hays Advisory's management. Hays Advisory has no disciplinary events to report.

Item 10 - Other Financial Industry Activities and Affiliations

Hays Advisory is under common control with Cypress Capital, LLC, a Registered Investment Adviser, and has retained Cypress Capital as a sub-adviser. Please see Item 8 for additional information.

Hays Advisory is also under common control with Hays Capital Management, LLC, a Registered Investment Adviser which manages the Hays Series Trust, an open-end management investment company registered under the Investment Company Act of 1940, as amended.

The following information addresses active or pending financial industry affiliations that you may need to know about for the purpose of identifying any related conflicts of interest that you might consider material in regard to letting us handle your investment advisory needs.

We have informally joined in a strategic business relationship with an unaffiliated third-party, First Trust Advisors, L.P. ("First Trust"). First Trust issues and manages a family of ETFs called the Alphasdex family of ETFs. When appropriate, Hays Advisory utilizes the Alphasdex family of ETFs in some or all of our model portfolio strategies. Therefore, we may purchase them for your account even though other similar securities may be available and suitable for your account.

First Trust is instrumental in providing marketing support to Hays Advisory by introducing various broker-dealers and others to Hays Advisory and these strategies for possible inclusion on the broker/dealers' Separately Managed Accounts Platforms. When these introductions result in new clients engaging Hays Advisory to manage accounts, obviously Hays Advisory receives an economic benefit. These and other accounts in turn may be invested in ETFs issued and managed by First Trust, although Hays Advisory has no obligation to invest in the ETFs issued and managed by First Trust. Like any other ETF manager, in those instances when we do invest client funds into First Trust ETFs, First Trust will receive the typical management fee on that investment.

We address this potential conflict by disclosing it to you in this brochure. As a matter of policy, we aggressively discourage activities that put your interests anywhere but first. Additionally, we have instituted a comprehensive supervisory process, detailed in our Written Supervisory Procedures ("WSPs") that was designed to address, among other things, potential conflicts of interest such as the relationship between our Firm and First Trust Advisors, L.P.

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

Code of Ethics and Personal Trading

Hays Advisory has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Hays Advisory's Code has several goals. First, the Code is designed to assist Hays Advisory in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Hays Advisory owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires Hays Advisory

associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Hays Advisory's associated persons (managers, officers and employees). Under the Code's Professional Standards, Hays Advisory expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Hays Advisory's associated persons are not to take inappropriate advantage of their positions in relation to Hays Advisory clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time Hays Advisory's associated persons may invest in the same securities recommended to clients. Under its Code, Hays Advisory has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

Participation or Interest in Client Transactions

Because associated persons may invest in the same securities as those purchased in client accounts, Hays Advisory has established a policy requiring its associated persons to pre-clear transactions in certain of these securities with the Chief Compliance Officer. The goal of this policy is to avoid any conflict of interest that may present itself in these situations. Certain securities, such as CD's, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, Hays Advisory's goal is to place client interests first.

Consistent with the foregoing, Hays Advisory maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a Hays Advisory associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request to obtain approval for the trade.

Item 12 - Brokerage Practices

Best Execution and Benefits of Brokerage Selection

The following discussion applies only to clients of Hays Advisory Managed Portfolios or the Hays Advisory Wrap Program. This does not apply to a client who participates in a Third-Party Wrap program as those programs make their own custodial arrangements with the client prior to entering into an agreement with us.

When given discretion to select the brokerage firm that will execute orders in client accounts, Hays Advisory seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, Hays Advisory may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of Hays Advisory's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

Hays Advisory may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets. Hays Advisory may also effect trades for client accounts at Schwab, or may in some instances, consistent with Hays Advisory's duty of best execution and specific agreement with each client, elect to execute trades elsewhere. Although Hays Advisory may recommend that clients establish accounts at Schwab, it is ultimately the client's decision to custody assets with Schwab. Hays Advisory is independently owned and operated and is not affiliated with Schwab.

Schwab provides Hays Advisory with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as Hays Advisory maintains a pre-established minimum amount of client assets in accounts at Schwab Advisor Services. These services are not soft dollar arrangements, but are part of the institutional platform offered by Schwab. Schwab's brokerage services include the execution of securities transactions,

custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Hays Advisory client accounts maintained in its custody, Schwab generally does not charge 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 Schwab or that settle into Schwab accounts. Schwab Advisor Services also makes available to Hays Advisory other products and services that benefit Hays Advisory but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Hays Advisory accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Hays Advisory 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 Hays Advisory's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help Hays Advisory manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Hays Advisory. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Hays Advisory. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of Hays Advisory personnel. In evaluating whether to recommend that clients custody their assets at Schwab, Hays Advisory may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Hays Advisory also participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers its Program to independent investment advisers. The Program includes such services as custody of securities, trade execution, clearance and settlement of transactions. Hays Advisory receives some benefits from TD Ameritrade through its participation in the Program.

Hays Advisory may recommend TD Ameritrade to Clients for custody and brokerage services. While there is no direct link between Hays Advisory's participation in the Program and the investment advice it gives to its Clients, through its participation in the Program Hays Advisory receives economic benefits that are typically not available to TD Ameritrade retail investors. These benefits generally include, without limitation, the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Program participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Hays Advisory by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by Hays Advisory's related persons. These services are not soft dollar arrangements, but are part of the institutional platform offered by TD Ameritrade.

Some of the products and services made available by TD Ameritrade through the Program may benefit Hays Advisory but may not directly benefit its Client accounts. These products or services may assist Hays Advisory in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Hays Advisory manage and further develop its business enterprise. The benefits received by Hays Advisory or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Hays Advisory endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits

by Hays Advisory or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Hays Advisory's choice of TD Ameritrade for custody and brokerage services.

Aggregated Trade Policy

Transactions for your account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at the same or approximately the same time. We may (but are not obligated to) aggregate or "batch" such orders in order to obtain best execution or to negotiate more favorable transaction rates. Batching may allow us to achieve a more favorable price on average for all clients. Batching does not guarantee the lowest possible price for trade execution; however, it is intended to reduce the overall volatility in execution price for a large number of orders that if not batched together, may experience significantly different execution prices. Conversely, in the event that we do not batch a group of orders that otherwise may be a prime candidate for a batched order, the resulting cost for some clients may be higher or lower than what we might be able to achieve by batching those same orders.

Hays Advisory will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of Hays Advisory's Investment Advisory Agreement with each client for which trades are being aggregated. Because our clients' accounts are held at more than one brokerage firm, in order to provide fair and equitable treatment for all clients, we have established a rotation schedule among these brokerage firms. The trades of clients at each brokerage firm are batched together with other clients at the same brokerage firm when appropriate. The trades are then executed in aggregate at each brokerage firm through the rotation schedule, so that no group is damaged or disadvantaged over time by the timing of the executions.

Each client that participates in an aggregated order at one of the executing brokers on the rotation schedule will participate at the average share price obtained in that batch trade, with transaction costs generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary among accounts. Accounts may be excluded from a block trade due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

Hays Advisory will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of Hays Advisory. Hays Advisory's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and Hays Advisory will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

Trade Away Policy

We have instituted a practice of "Trading Away" in which we have the authority to select the executing broker for trades to attempt to receive a more favorable execution price for the client.

Not all account custodians participate in this "trading away" process. Accordingly, trades for clients with accounts at such non-participating custodians will be placed after the trades of other clients whose broker-dealers do allow "trade away" executions. We maintain a rotation schedule to determine the order in which accounts held at non-participating custodians are traded. Clients should understand that our practice of "trading away" may result in certain clients paying and receiving different execution prices on the same security. Historical trade-away routing information will be made available upon request.

We have implemented written trading procedures in order that the risk that any particular client would be or could be systematically advantaged or disadvantaged would be minimized to the extent possible.

Depending on trading requirements established by the individual firms, the submissions of model portfolio recommendations are incorporated into the order-entry rotation schedule, as well. In some cases, we must comply with your account custodian's procedures related to the submission of model portfolio recommendations which may supersede our own rotational schedule, and as a result, you may pay and receive different execution prices on the same security.

When extenuating circumstances exist, we may alter the order-entry rotation schedule at our sole discretion. Extenuating circumstances may include (but will not be limited to) low trading volume for a specific security, or our attempt to prevent a client from having to pay multiple transaction fees due to an execution being filled over more than one day.

Consistent with our duty to seek best execution, when selecting the executing broker for our "trade away" transactions, we evaluate the following factors (without limitation): competitive commission rates, consistent back-office efficiency, ability to handle specialty trades and high trade volume with low incidences of trade errors.

We regularly evaluate the quality of the executions received, as well as the factors described above, and we may choose to utilize another firm(s) or combination of firms if we determine that better executions may be obtained. We do not receive any additional compensation or remuneration as a result of "trading away" to this or any third-party executing broker.

Item 13 - Review of Accounts

Model Portfolio Review

The model portfolios are reviewed regularly by a member or members of our investment staff. A typical review of our equity or balanced portfolios includes examining the asset allocation mix and stock and bond holdings. For the ETF portfolios, a member or members of the investment staff reviews the asset allocation mix as well as the individual ETF holdings. These reviews include fundamental quantitative analysis as well as technical analysis of the overall stock market, sectors and individual holdings in the portfolios.

Hays Advisory Managed Portfolios and Hays Advisory Wrap Program Accounts

For all Hays Advisory Managed Portfolios accounts and Hays Advisory Wrap Program accounts, your questions regarding situations specific to your account(s) are typically handled by Jeff Wilson, a Senior Vice President at our firm. In addition to handling incoming questions from clients, Jeff will e-mail or call you 2 – 4 times per year to offer a review of your account(s). Operational issues for your account(s) are handled by Laura Brooks, our Operations Manager. Jeff Hays, President and Keith Hays, Executive Vice President are available for consultations with clients as well.

We will provide you with a quarterly report outlining performance, relative performance and current market and portfolio commentary. Your account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. We urge you to carefully review your account statements for accuracy, and also compare your statements to quarterly performance reports you may receive from us and/or, if applicable, your third-party financial advisor.

Events that may trigger further client account reviews in addition to the standard review process may include, but are not limited to, the performance of an individual account being an outlier to the performance of accounts with similar investment objectives, the asset allocation of an individual account being an outlier to the recommended percentages for accounts with similar investment objectives, and deposits or withdrawals occurring in an account. Other factors may include customer complaints, requests by a client to effect transactions in his/her accounts where such transactions may appear to be inconsistent with the client's previously stated investment objectives or changes in general client circumstances (marriage, divorce, retirement).

Third Party Wrap Programs

For all accounts invested with us through a third-party wrap program, we have minimal direct contact with you as our communications are focused on the third-party firm that recommended our services to you. However, free access to market research and commentary is available at www.haysadvisory.com for interested clients. We do communicate regularly with the financial advisor at the third-party firm that recommended or made the Hays Advisory portfolio available to you. Financial advisors may request a meeting or conference call for you with a member of the marketing staff or Jeff or Keith Hays. We do not typically provide a quarterly report outlining performance, relative performance and current market and portfolio commentary to clients invested through a third-party wrap program because these types of reports are written and delivered by your financial advisor at the third-party firm.

Item 14 - Client Referrals and Other Compensation

As noted above, Hays Advisory may receive some benefits from Schwab and TD Ameritrade based on the amount of client assets held at Schwab and TD Ameritrade. Please see **Item 12 - Brokerage Practices** for more information. However, neither Schwab nor TD Ameritrade nor any other party is paid to refer clients to Hays Advisory. Furthermore, Hays Advisory does not pay a referral fee to third-parties that hire or recommend that their clients hire Hays Advisory for investment management services on third-party Wrap Programs.

Item 15 - Custody

Hays Advisory Clients and Hays Advisory Wrap Program Clients:

Schwab and TD Ameritrade are the custodians of direct client accounts at Hays Advisory. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to compare account balances on account statements with those reflected on reports provided by Hays Advisory. We ask you to notify Hays Advisory of any questions or concerns at your earliest convenience. Clients are also asked to promptly notify Hays Advisory if the custodian fails to provide statements on each account held.

From time to time and in accordance with Hays Advisory's agreement with clients, Hays Advisory will provide additional reports. The account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

Third-Party Wrap Program Clients

Clients who access our services through third-party wrap programs typically use that program's custodian to hold their assets in custody. It is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify their adviser of any questions or concerns or if the custodian fails to provide statements on each account held.

Item 16 - Investment Discretion

In connection with our investment advisory services, we will generally seek and obtain your authorization to carry out part of our services on a purely discretionary basis. We will memorialize your authorization of our discretionary authority in our Agreement.

If you have authorized us to do so, we will exercise discretion over the following areas.

- 1) The specific securities to be bought or sold on your behalf
- 2) The amount of securities to be bought or sold on your behalf
- 3) Timing as to when such securities are to be bought or sold
- 4) The particular broker or dealer to be used for arranging your securities transactions

5) Commission rates to be paid in relation to securities transactions effected on your behalf

We will have authority to exercise complete discretion with regard to the above named factors without restriction. If done so on a non-discretionary basis, we will make certain recommendations that must be authorized by you prior to our facilitation of any such transactions. As may be separately agreed to in writing, we will observe any other specific limitations that may be imposed by you in relation to this discretionary authority.

Item 17 - Voting Client Securities

Because we do not serve as custodian for your securities, proxies for securities held in your account(s) will be provided to you by your broker/custodian, except as required under applicable ERISA regulations, unless you request that we receive and vote the proxies. In such cases your broker/custodian will forward all proxies and related materials to us for processing.

We seek to vote proxies in the best interest of the client(s) holding the applicable securities. In voting proxies, we consider factors that we believe relate to the client's investment(s) and factors, if any, that are set forth in written instructions from the client.

In general, we believe that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of our clients. Accordingly, we generally vote **for**:

- The election of directors (where no corporate governance issues are implicated);
- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that Hays Advisory believes may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

We will generally vote **against** any proposals that we believe will have a negative impact on shareholder value or rights. If we perceive a conflict of interest, our policy is to notify affected clients so that they may choose the course of action they deem most appropriate.

As stated earlier, our goal is to vote proxies in the best interest of the client(s). To that end, we have engaged Egan-Jones Proxy Services, an unaffiliated service firm that provides company research, annual report and proxy statement reviews, and voting recommendations to us for all client securities. Egan-Jones is a leading provider of services in this area.

Once a company issues shareholder proposals, the annual report and proxy statement, and has established a meeting date, Egan-Jones issues a detailed Proxy Report. Our Director of Research or his designee reviews the proposal and this report and, upon approval, forwards the report along with the voting recommendations to the CCO or her designee for voting. The Director of Research has the authority to disagree with Egan-Jones' report and recommendations, and at his discretion, may choose to vote on one or any proposals in the manner he deems appropriate. The Director of Research will then note his reasons for disagreeing with the Egan-Jones recommendation on such report.

A copy of our complete policy, as well as records of proxies voted, is available to clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

Item 18 - Financial Information

We are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments with our clients. No such conditions exist.