

<b>OMB APPROVAL</b>	
OMB Number:	3235-0049
Expires:	February 28, 2011
Estimated average burden	
Hours per response	9.402

**FORM ADV**  
**Uniform Application for Investment Adviser Registration**

**Part II - Page 1**

Name of Investment Adviser: <b>Lexington Financial Services, Inc.</b>				
Address: (Number and Street) <b>46 Williamsburg Lane</b>	(City) <b>Houston</b>	(State) <b>TX</b>	(Zip Code) <b>77024</b>	Area Code: Telephone number: <b>(713) 292-2300</b>

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

**Table of Contents**

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees .....	2
2	Types of Clients .....	2
3	Types of Investments .....	3
4	Methods of Analysis, Sources of Information and Investment Strategies .....	3
5	Education and Business Standards .....	4
6	Education and Business Background .....	4
7	Other Business Activities .....	4
8	Other Financial Industry Activities or Affiliations .....	4
9	Participation or Interest in Client Transactions .....	5
10	Conditions for Managing Accounts .....	5
11	Review of Accounts .....	5
12	Investment or Brokerage Discretion .....	6
13	Additional Compensation .....	6
14	Balance Sheet .....	6
	Continuation Sheet .....	Schedule F
	Balance Sheet, if required .....	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.**

1. **A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service.  
(See instructions below.)

Applicant:

<input type="checkbox"/>	(1)	Provides investment supervisory services .....	_____ %
<input type="checkbox"/>	(2)	Manages investment advisory accounts not involving investment supervisory services .....	_____ %
<input type="checkbox"/>	(3)	Furnishes investment advice through consultations not included in either service described above .....	_____ %
<input type="checkbox"/>	(4)	Issues periodicals about securities by subscription .....	_____ %
<input type="checkbox"/>	(5)	Issues special reports about securities not included in any service described above .....	_____ %
<input type="checkbox"/>	(6)	Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities .....	_____ %
<input type="checkbox"/>	(7)	On more than an occasional basis, furnishes advice to clients on matters not involving securities .....	_____ %
<input type="checkbox"/>	(8)	Provides a timing service .....	_____ %
<input checked="" type="checkbox"/>	(9)	Furnishes advice about securities in any manner not described above .....	<b>100%</b>

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? .....

Yes ☐ No ☒

C. Applicant offers investment advisory services for: (check all that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management      | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges  | <input type="checkbox"/> (5) Commissions       |
| <input checked="" type="checkbox"/> (3) Fixed Fees (not including subscription fees) | <input type="checkbox"/> (6) Other             |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |   |   |
|---|---|
| <input type="checkbox"/> A. Individuals                                 | <input type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies                        | <input type="checkbox"/> G. Other (describe on Schedule F)                                  |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |   |

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |   |  |   |
|--|---|--|---|
| <input checked="" type="checkbox"/> A. | Equity securities                                       | <input checked="" type="checkbox"/> H. | United States government securities     |
| <input checked="" type="checkbox"/>    | (1) exchange-listed securities                          | I.                                     | Options contracts on:                   |
| <input checked="" type="checkbox"/>    | (2) securities traded over-the-counter                  |  |   |
| <input type="checkbox"/>               | (3) foreign issuers                                     | <input type="checkbox"/>               | (1) securities                          |
|  |   | <input type="checkbox"/>               | (2) commodities                         |
| <input type="checkbox"/> B.            | Warrants  | J.                                     | Futures contracts on:                   |
| <input checked="" type="checkbox"/> C. | Corporate debt securities (other than commercial paper) | <input type="checkbox"/>               | (1) tangibles                           |
|  |   | <input type="checkbox"/>               | (2) intangibles                         |
| <input type="checkbox"/> D.            | Commercial paper  |  |   |
| <input type="checkbox"/> E.            | Certificates of deposit                                 | K.                                     | Interests in partnerships investing in: |
| <input type="checkbox"/> F.            | Municipal securities                                    | <input type="checkbox"/>               | (1) real estate                         |
|  |   | <input type="checkbox"/>               | (2) oil and gas interests               |
| G.                                     | Investment company securities:                          | <input type="checkbox"/>               | (3) other (explain on Schedule F)       |
| <input type="checkbox"/>               | (1) variable life insurance                             |  |   |
| <input type="checkbox"/>               | (2) variable annuities                                  | <input checked="" type="checkbox"/> L. | Other (explain on Schedule F)           |
| <input checked="" type="checkbox"/>    | (3) mutual fund shares                                  |  |   |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.****A.** Applicant's security analysis methods include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |   |

**B.** The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |

**C.** The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |   |
|--|---|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |   |

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? . . . . .

Yes ☒ No ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- ☐ A. Applicant is actively engaged in a business other than giving investment advice.
- ☐ B. Applicant sells products or services other than investment advice to clients.
- ☒ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading advisor or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked in box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes ☐ No ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☐ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes No  
☒ ☐

(If yes, describe on Schedule F)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

For those clients to whom Registrant provides investment supervisory services, all account reviews are conducted by Billie S. Murski, President, on an ongoing basis. All clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or telephonically) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Clients are provided with transaction confirmation notices regular statements and/or summary account statements directly from the broker-dealer/custodian for the client accounts no less than quarterly.

**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- |  | Yes                      | No                                  |
|--|--------------------------|-------------------------------------|
| (1) securities to be bought or sold? .....               | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (2) amount of the securities to be bought or sold? ..... | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (3) broker or dealer to be used? .....                   | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (4) commission rates paid? .....                         | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? .....

Yes ☒ No ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and Services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |                              |  |
|---|------------------------------|--|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- |  |                              |  |
|--|------------------------------|--|
| • has custody of client funds or securities (unless applicant is registered or registering with the Securities and Exchange Commission; or | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| • requires prepayment of more than \$500 in fees per client and 6 or more months in advance  | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| Has applicant provided a Schedule G balance sheet? .....   | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant:	SEC File Number:	Date:
<b>Lexington Financial Services, Inc.</b>	<b>801-N/A</b>	<b>10/16/2008</b>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Lexington Financial Services, Inc.</b>	IRS Empl. Ident. No.: <b>68-0491383</b>
Item of Form (identify)	Answer

Item 1D

**Advisory Services & Fees**

As discussed below in this disclosure statement, the Registrant provides its clients with non-discretionary investment management services and related consulting services. Registrant does not provide financial planning, insurance planning, or estate planning services. To the extent that a client may request such services, the Registrant may refer the client to its affiliated SEC registered investment adviser, Patriot Wealth Management, Inc. (*see* disclosure at item 8C(3) below). However, the client is under absolutely no obligation to engage Patriot Wealth Management, Inc. for any such services.

**INVESTMENT MANAGEMENT**

The client can engage the Registrant to provide non-discretionary investment management services on a *fee-only* basis, based upon a percentage (%) of the assets placed under the Registrant's management, in accordance with the fee schedule and account/fee minimums designated by the client as discussed below.

Registrant's annual investment management fee shall be prorated and paid quarterly in advance based upon the market value of the assets on the last business day of the quarter. The Registrant, in its sole discretion, may reduce its account minimum, minimum annual fee, and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

To the extent that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at various broker-dealers and/or custodians, including FTJ Fund Choice and Fidelity. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Depending upon the investment program(s) designated by the client, the Registrant recommends that clients primarily allocate investment management assets among various mutual funds, and exchange traded funds, on a non-discretionary basis, in accordance with the investment objective(s) of the client as same is set forth in an *Investment Risk Profile Questionnaire* prepared by the client/plan participant. Broker-dealers may charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and/or exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**INVESTMENT PROGRAMS**

**Retirement Plan/ERISA Account Services (non-discretionary)**

The Registrant provides investment management on a non-discretionary basis and consulting services to its clients. The Registrant provides ongoing research and evaluation of plan/account investment choices that include mutual funds, self-directed brokerage accounts and model portfolios.

Minimum Investment: \$100,000

#### **Standard Fee Schedule**

<u>Assets</u>	<u>Annual Fee</u>
First \$2,000,000	1.25%
Next \$3,000,000	1.00%
Greater than \$5,000,000	0.75%

A startup fee of \$1,000 is assessed by the third party administrator.

Fixed fees may be charged as mutually agreed upon with client. The fee ranges between \$1,500 and \$10,000 and is based on a number of factors including scope of services and other relevant factors.

Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement shall authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in accordance with required SEC procedures. The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall debit the client account for the pro-rated portion of Registrant's quarterly investment management fee.

Factors which the Registrant considers in recommending certain broker-dealers/custodians to clients include financial strength, reputation, execution, pricing, research, and service. Certain broker-dealers/custodians enable Registrant to obtain many no-load mutual funds without transaction charges and other no-load and load waived funds with no or at nominal transaction charges. Broker-dealers and custodians, generally charge commission rates which are generally considered discounted from customary retail commission rates. The Registrant will not receive any portion of the brokerage commissions and/or transactions fees charged to *fee-only* clients. The brokerage commissions and/or transaction fees charged by the broker-dealers/custodians recommended by the Registrant are exclusive of, and in addition to, Registrant's investment advisory fee. Although the commissions and/or transaction fees that may be paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions and/or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee.

#### **Proxy Voting Policy**

The Registrant does not vote client proxies. Therefore, the Registrant's clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. The Registrant and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets

#### **MISCELLANEOUS**

In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services, or if they wish to impose any reasonable restrictions upon Registrant's investment advisory



	<p>services.</p> <p>Neither the Registrant nor the client may assign the <i>Investment Advisory Agreement</i> without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.</p> <p>A copy of Registrant's written disclosure statement as set forth on Part II of Form ADV (or an equivalent brochure) shall be provided to each client prior to or contemporaneously with the execution of the <i>Investment Advisory Agreement</i>. Any client who has not received a copy of Registrant's written disclosure statement at least forty-eight (48) hours prior to executing the <i>Investment Advisory Agreement</i> shall have five (5) business days subsequent to executing the agreement to terminate the Registrant's services without penalty.</p>
Item 3L	<p><b>Types of Investments</b></p> <p>Registrant will review various investments, consisting mainly of mutual funds, in order to determine which of these investments are appropriate.</p>
Item 4A5, 4B8, 4C7	<p><b>Methods of Analysis, Sources of Information, and Investment Strategies.</b></p> <p>Registrant uses information, services, research and recommendations provided by non-affiliated entities that may utilize different methods of analysis and sources of information. Additionally, Registrant will utilize such other information, as it deems appropriate for analysis, and in all cases, in compliance with federal and state security laws.</p>
Item 5	<p><b>Education and Business Standards.</b></p> <p>All individuals that give advice on behalf of the Registrant must have earned a college degree and/or have substantive investment-related experience. In addition, all such individuals shall have attained all required investment-related licenses and/or designations.</p>
Item 6	<p><b><u>Education and Business Background</u></b></p> <p><b><u>BILLIE STANLEY MURSKI, III</u></b> Born: 1960</p> <p><b>Formal Education:</b> University of Texas, B.B.A. Accounting, 1983 University of Houston, M.B.A., 1988</p> <p><b>Business Background:</b> Lexington Financial Services, Inc., President/Chief Compliance Officer, 1/2000 – Present Patriot Wealth Management, Inc., Principal, 1/2007 – Present Lexington Financial Group, Inc., Chairman/President, 2004 – 2006 FCA Corp, Sr. Vice President/Director, 1985-2003</p>
Item 7C	<p><b><u>Other Business Activities.</u></b></p> <p><u>Mr. Murski provides ongoing research and evaluation of plan/account investment choices that include mutual funds, self-directed brokerage accounts and model portfolios. The time spent on these activities is 100 percent of Mr Murski's time.</u></p>
Item 9E	<p><b><u>Code Of Ethics</u></b></p> <p>None of Registrant's advisory representatives may effect for himself or herself or for his or her immediate family (i.e. spouse, minor children) (collectively "Covered Persons") any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Registrant's clients, unless in accordance with the following Firm Procedures.</p> <p><b><u>Firm Procedures</u></b></p> <p>In order to implement Registrant's investment policy, the following procedures have been put into place with respect to Registrant and its Covered Persons:</p> <p>(1) If Registrant is purchasing or considering for purchase any security on behalf of Registrant's client, no Covered Persons may transact in that security prior to the client purchase having been completed by Registrant, or until a decision has been made not to purchase the security on behalf of the client; and</p>

	<p>(2) If Registrant is selling or considering the sale of any security on behalf of Registrant's client, no Covered Persons may transact in that security prior to the sale on behalf of the client having been completed by Registrant, or until a decision has been made not to sell the security on behalf of the client.</p> <p><u>Exceptions</u></p> <p>(1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of Registrant's clients trade in sufficiently broad markets to permit transactions to be completed without any appreciable impact on the markets of the securities. Under certain circumstances exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with Registrant's records in the manner set forth above.</p> <p>(2) Open-end mutual funds and/or the investment subdivisions which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by Covered Persons are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by Registrant's Investment Policy and Procedures.</p> <p>In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.</p>
Item 10	<p><b>Conditions for Managing Accounts.</b></p> <p>Please see previous disclosure set forth at Item 1D of this Schedule F relative to investment advisory fee minimums.</p>
Item 12B	<p><b>Investment or Brokerage Discretion</b></p> <p>Please see the previous responses set forth on this Schedule F to Item 1D. In addition, Registrant's general policies relative to the execution of client securities brokerage transactions are as follows:</p> <p><b>Execution of Brokerage Transactions (when applicable).</b> If requested, Registrant will arrange for the execution of securities brokerage transactions for the account through broker-dealers that Registrant reasonably believes will provide "best execution". In seeking "best execution", the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.</p> <p>Over-the-Counter (OTC) securities transactions for Registrant's clients are generally effected on an agency basis, which involve the services of two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client will also incur the transaction fee imposed by the executing broker-dealer. Registrant does not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.</p> <p>Transactions for each client account generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same time. Registrant may (but is not obligated to) combine or "batch" such orders to obtain "best execution", to negotiate more favorable commission rates or to allocate equitably among Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among Registrant's clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which Registrant's principals and/or associated persons may invest, Registrant shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, <i>SMC Capital, Inc.</i> Registrant shall not receive any additional compensation or remuneration as a result of the aggregation.</p> <p>The client may direct Registrant to use a particular broker-dealer (subject to Registrant's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or</p>

be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

In the event that the transactions for a client's accounts are effected through a broker-dealer that refers investment management clients to Registrant, there exists the potential for conflict of interest if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the client determined to effect account transactions through alternative clearing arrangements that may have been available through Registrant.

**Initial Public Offering (IPO) Policy.** On occasion, Registrant, through its clearing/custodial firm relationships, may have limited access to IPO shares. Except with respect to the limited exception noted below, Registrant does not purchase and/or recommend for purchase IPOs for its individual client accounts. The exception to the above policy is for those individual clients of Registrant who, on an unsolicited basis, contact the Registrant to request that Registrant purchase a specific IPO for his/her/their/its account, to the extent same has been made available to Registrant. In the event of any such unsolicited request(s), Registrant, after first determining that the client(s) is *qualified* for such specific IPO (i.e., suitable for the client(s) relative to the client's(s') investment objective(s), financial situation(s) and current asset allocation(s)), *may* (to the extent possible under the circumstances) purchase such IPO on a pro-rata basis with other unsolicited client requests. To the extent possible and applicable under the circumstances, Registrant will allocate unsolicited individual client IPO share purchases among *qualified* individual clients on a rotational basis or some other fair and equitable basis.