



Part 2A of Form ADV: *Firm Brochure*

Palisade Asset Management, LLC

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This brochure provides information about the qualifications and business practices of Palisade Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 612-455-2900 or email Jennifer Fischer, Chief Compliance Officer, at jfischer@palisadeam.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Palisade Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 136089.

ITEM 2 – MATERIAL CHANGES

This firm brochure dated 02/24/2016 is an interim amendment prepared according to the SEC's requirements and rules.

This amendment contains no material changes. Some minor updates and clarifications were made.



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ITEM 4 – ADVISORY BUSINESS

Palisade Asset Management, LLC (“Palisade”) is a SEC registered investment adviser with its principal place of business located in Minneapolis, Minnesota. Palisade began conducting business in 2005 and its predecessor firm, Palisade Investment Advisor, LLC, began conducting business in 2002.

Listed below are the firm's shareholders:

Principal shareholders: (those individuals and/or entities controlling 25% or more of the company):

- Steven E. Landberg
- Peter D. Rocca

Other shareholders controlling less than 25%:

- Jennifer L. Fischer
- Paul J. Kronlokken
- Dennis M. Ott
- E. Thomas Welch

Palisade offers the following advisory services to our clients:

Individual Portfolio Management and Investment Supervisory Services

Palisade provides continuous advice to a client regarding the investment of client assets based on the individual needs of the client. Palisade also provides continuous asset management of the client's assets. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Palisade works with the client to develop personal investment directives and create and manage a portfolio based on those directives. During Palisade's data-gathering process, the firm determines the client's individual objectives, restrictions or constraints, risk tolerance, and liquidity needs. As appropriate, Palisade also reviews and discusses a client's prior investment history, as well as family composition and background.

Palisade manages these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's investment directives and tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Palisade's investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company, and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities
- United States governmental securities
- Certificates of deposit
- Municipal securities
- Mutual fund shares

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Company Retirement Plans – Investment Advisory Services

Palisade provides investment advisory services to companies offering Employee Retirement Income Security Act (“ERISA”) retirement plans. This includes the analysis, recommendation and on-going monitoring of the plan’s investment offerings. Palisade will also assist companies in the research, review and selection process of Plan Administrators/Record keepers if requested. Additionally, Palisade will implement new plans and manage the on-going education and enrollment meetings offered to all plan participants.

Selection and Monitoring of *Third-Party Money Managers*

Palisade also offers advisory management services to its clients through the firm’s selection and monitoring of *Third-Party Money Managers* program (“Manager”).

Palisade provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. The use of an outside Manager is drafted into the client's investment directives.

Based on the client's individual circumstances and needs (as exhibited in the client's investment directives) Palisade will perform management searches on various unaffiliated registered Managers that are appropriate for that client.

Palisade will provide a copy of the client’s investment directives to the Manager and monitor the Manager’s adherence to such directives.

Palisade also monitors the account(s) of the selected Managers. If Palisade determines that a particular selected registered Manager is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's investment directives, Palisade may suggest that the client contract with a different Manager. Under this scenario, Palisade will assist the client in selecting a new Manager and/or program.

Financial Planning

As requested, Palisade provides financial planning services. Palisade views financial planning as an evaluation of a client’s current and future financial state by using currently known variables to project future assets to meet future cash flow needs such as taxes, retirement, education, philanthropic/gifting, family support, and other defined financial goals. Through the financial planning process, all questions, information, and analysis are considered as they impact, and are impacted, by the entire financial and life situation of the client. In general, Palisade reviews and addresses any or all of the following financial areas:

- *Personal* – Palisade reviews family records, budgeting, personal liability, estate information and financial goals.
- *Cash Flow and Liabilities* – Palisade reviews the client’s income, expenditures, and debt to develop a more efficient and manageable use of cash and debt.
- *Taxes* – Palisade reviews the client’s current and future income tax situation to help design more efficient investment strategies and asset structures. Palisade does not provide tax advice,

but will work closely with its client's tax advisors to provide information and assist in the implementation of directed solutions.

- *Investments* – Palisade builds, from Palisade managed and outside Manager strategies, customized and efficient investment solutions to meet the short-term and long-term liability needs of its clients.
- *Insurance* – Palisade reviews existing policies to ensure that its client's liability needs are properly covered for their life, health, disability, long-term care, home and autos.
- *Retirement* – Palisade utilizes modeled asset growth projections to best match the client's retirement needs once there is a clear understanding of their retirement goals and liabilities.
- *Estate* – Palisade assists its clients by understanding their long-term estate liabilities and then reviewing the current structure of their estate planning solutions. Palisade does not provide estate planning advice, but Palisade will work closely with its client's attorneys and other advisors to ensure that all estate planning solutions are implemented and in order.
- *Philanthropy* – Palisade assists its clients with the planning and implementation of their philanthropic needs.

Publication of Periodicals

Palisade publishes a periodic newsletter providing general information on various financial topics. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual. This newsletter is distributed free of charge to Palisade's advisory clients, prospective clients and professional centers of influence.

Consulting Services

Clients can also receive investment advice on a more focused basis. This may include guidance on only an isolated area of concern such as estate planning, retirement planning, or any other specific topic. Palisade may also, on occasion, provide specific consultation and administrative services regarding investment and financial concerns of the client.

Amount of Managed Assets

As of 12/31/2015, Palisade actively manages \$666,619,423 of client assets on a discretionary basis plus \$24,526,085 of client assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Individual Portfolio Management and Investment Supervisory Services

The annualized fee for Individual Portfolio Management Services, including Investment Supervisory Services, is charged as a percentage of assets under management, according to the following schedule. Fees are paid quarterly, in advance:

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$2,000,000	1.0%
Next \$3,000,000	.75%
Next \$5,000,000	.60%
Over \$10,000,000	.50%

A minimum of **\$1,000,000** of assets under management is required for this service. The account size may be negotiable under certain circumstances. Palisade may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

- *Limited Negotiability of Advisory Fees* – Although Palisade has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. Other factors include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reporting. The specific annual fee schedule is identified in the contract between the adviser and each client.

Company Retirement Plans – Investment Advisory Services

The annual fee for investment advisory services for company retirement plans is charged as a percentage of assets in the plan where advisory services are provided, according to the following fee schedule:

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$2,000,000	0.50%
Next \$3,000,000	0.40%
Next \$5,000,000	0.30%
Next \$15,000,000	0.25%
Over \$25,000,000	0.20%

Selection and Monitoring of *Third-Party Money Managers Fees*

Palisade's fee for the selection and monitoring of the Managers is determined on a case-by-case basis, depending upon the complexity of the services being provided as well as each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Financial Planning Fees

Palisade's financial planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

- *Financial Planning Fee Offset* – Palisade reserves the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage Palisade for Portfolio Management Services.

Publication of Periodicals or Newsletters

Palisade's annual subscription fee is waived for advisory clients, prospective clients, and professional acquaintances of the firm.

Consulting Services Fees

Palisade's consulting services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client. Palisade's consulting services fees are calculated and charged on a fixed fee basis, typically ranging from \$500 to \$5000, subject to the specific arrangement reached with the client.

General Information

- *Termination of the Advisory Relationship* – A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, Palisade will prorate the reimbursement according to the number of days remaining in the billing period.
- *Mutual Fund Fees* – All fees paid to Palisade for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or Exchange Traded Funds ("ETF") to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Accordingly, the client should review both the fees charged by the funds and Palisade's fees to fully understand the total amount of fees to be paid by the client, and to thereby evaluate the advisory services being provided.
- *Third-Party Money Manager Fees* – Clients participating in separately Managed programs may be charged various program fees in addition to the advisory fee charged by the firm. Such fees may include the investment advisory fees of the independent advisers. Palisade will review with clients any separate program fees that they may be charged.
- *Additional Fees and Expenses* – In addition to Palisade's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the *Item 12 – Brokerage Practices* section for additional information.
- *Grandfathering of Minimum Account Requirements* – Pre-existing advisory clients are subject to Palisade's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, Palisade's minimum account requirements will differ among clients.

- *ERISA Accounts* – Palisade is deemed to be a fiduciary to advisory clients that are employee benefit plans or Individual Retirement Accounts (“IRA”) pursuant to ERISA, and regulations under the Internal Revenue Code of 1986 (“Code”), respectively. As such, Palisade is subject to specific duties and obligations under ERISA and the Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Palisade may only charge fees for investment advice about products for which the firm and/or Palisade related persons do not receive any commissions or 12b-1 fees.
- *Advisory Fees in General* – Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.
- *Limited Prepayment of Fees* – Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Palisade does not charge performance-based fees for its investment advisory services.

ITEM 7 – TYPES OF CLIENTS

Palisade provides investment advisory services to the following types of clients:

- Individuals (other than High Net Worth Individuals)
- High Net Worth Individuals
- ERISA Company Plans
- Nonprofit Organizations
- Corporations or other businesses not listed above

As previously disclosed in the *Item 5 – Fees and Compensation* section, Palisade has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

ITEM 8 – METHODS OF INVESTMENT STRATEGIES, RISK OF LOSS AND INVESTMENT ANALYSIS

Methods of Investment Strategies

Palisade uses several different strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, time horizons, and other considerations.

High Quality Growth Equity Strategy and Core Growth Equity Strategy

Palisade’s strategy is to invest in high quality growth stocks, which are stocks that have a steady and historically strong growth in earnings and dividends. Quality and stability of earnings typically help protect principal value in down markets. Portfolios in the strategy are diversified across economic

sectors and are constructed for the long term. Palisade strives to purchase companies at the lower end of the historical valuation range. Palisade's client portfolios exhibit low turnover and possess high tax efficiency.

High Quality Growth Equity Strategy

Portfolios are somewhat concentrated, investing in up to 35 large capitalization companies. A history of consistent earnings and dividend growth is a focus of this strategy.

Core Growth Equity Strategy

Portfolios hold about 40 companies which have a market cap of \$1 billion or greater. Many of the companies in the strategy have an upper Midwest presence.

Taxable Fixed Income

Palisade's investment philosophy stresses a conservative management approach by investing in high quality, investment grade, and taxable bonds. The approach includes government and government agency securities, as well as certificates of deposit up to the limit of the FDIC insurance protection. In some instances, investment grade municipal bonds may be utilized. Generally Palisade staggers maturities and diversifies non-U.S. government issuers. Credit quality of non-government securities is monitored as well as a spread history. While maturities are laddered, the client's liquidity and cash needs drive the ultimate portfolio structure. Since Palisade is not a broker/dealer, it does not maintain an "inventory" of bonds, but practices competitive, multi sourced buying and selling.

Tax-Exempt Fixed Income

Palisade's investment philosophy targets high quality investment grade tax-exempt bonds. Each municipal bond's underlying quality and credit enhancements are analyzed. Some of the factors analyzed include revenue sources, reserves and debt service capabilities. Palisade generally ladders the bond portfolio, but a client's cash flow needs determine the ultimate structure of the portfolio. Since Palisade is not a broker/dealer, it does not maintain an "inventory" of municipal bonds. Instead, Palisade utilizes a competitive, multi-source process when purchasing or disposing of securities. If available, Palisade also utilizes the client's home state bonds when exempt from state taxes. Palisade will use non-home state companies when the rate differential more than offsets the client's tax. The use of client non-home state securities also diversifies portfolios and may reduce risk of a geographical problem. Palisade avoids purchasing municipal bonds which are subject to the Federal Alternative Minimum Tax.

Third-Party Managers and Mutual Funds

Occasionally, Palisade will utilize Third-Party Managers and/or Mutual Funds/ETFs. Mutual Funds/ETFs are used when a portfolio is too small to diversify in individual holdings. A Third-Party Manager may be used when additional diversity is desired, or when a complementary investment structure is sought.

Methods of Risk of Loss

Securities investments are not guaranteed and may lead to a loss of money on a client's investments. Palisade asks that the client(s) work with the firm to help the Manager understand the client's tolerance for risk.

Methods of Investment Analysis

Palisade uses the following methods of analysis in formulating its investment advice and/or managing client assets:

- *Fundamental Analysis* – Palisade attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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

- *Quantitative Analysis* – Palisade uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and forecast changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be different than actual outcomes.

- *Qualitative Analysis* – Palisade subjectively evaluates non-quantifiable factors such as quality of management, labor relations, strength of research, and development factors not readily subject to measurement, and forecast changes to share price based on that data.

A risk in using qualitative analysis is that Palisade's subjective judgment may prove to be incorrect.

- *Technical Analysis* – Palisade analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially forecast future price movement.

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

- *Asset Allocation* – Rather than focusing primarily on securities selection, Palisade attempts to identify an appropriate ratio of securities, fixed income, and/or cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements, and if not rebalanced, will no longer be appropriate for the client's goals.

- *Mutual Fund and/or ETF Analysis* – Palisade looks at the experience and track record of the manager of a mutual fund or an ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions.

Palisade also looks at the underlying assets in a mutual fund or an ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. Palisade monitors the fund or the ETF in an attempt to determine if it is continuing to follow their stated investment strategy.

A risk of a mutual fund and/or an ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as Palisade does not control the underlying investments in a fund or an ETF. Managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or the ETF, which could make the holding(s) less suitable for the client's portfolio.

- *Third-Party Money Manager Analysis* – Palisade examines the experience, expertise, investment philosophies, and past performance of independent Managers in an attempt to determine if that Manager has demonstrated an ability to invest over a period of time and in different economic conditions. Palisade monitors the Manager's underlying holdings, strategies, concentrations and leverage as part of Palisade's overall periodic risk assessment. Additionally, as part of the due diligence process Palisade surveys the Manager's compliance and business enterprise risks.

Investing with a third-party manager, who has been successful in the past, is a risk because the manager may not be able to replicate that success in the future. In addition, since Palisade does not control the underlying investments in a Manager's portfolio, there is a risk that a Manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for Palisade's clients. Moreover, since Palisade does not control the Manager's daily business and compliance operations, Palisade may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

- *Risks for all forms of analysis* – Palisade's securities analysis methods rely on the assumption that the companies, whose securities Palisade purchases and sells, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. Even though Palisade is alert to indications that data may be incorrect, there is always a risk that Palisade's analysis may be compromised by inaccurate or misleading information.

ITEM 9 – DISCIPLINARY INFORMATION

Palisade is required to disclose any legal or disciplinary events that are material to a client's, or prospective client's, evaluation of its advisory business or the integrity of its management.

Palisade and its management personnel have no reportable disciplinary events to disclose.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Palisade and its related persons are not engaged in other financial industry activities and have no other industry affiliations. However, Palisade has entered into a sub-advisory and fee-sharing agreement with BNC National Bank. Clients of one company may be introduced to the other company if the client has a need for the other company's services. No referral fees are accepted by either party.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Palisade has adopted a Code of Ethics that sets forth high ethical standards of business conduct that requires employees to comply with applicable federal securities laws.

Palisade's personnel owe a duty of loyalty, fairness and good faith towards its clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

Palisade's Code of Ethics includes policies and procedures for the review of employees' personal securities transactions. Employees are also required to submit reports as well as initial and annual reports of their personal securities holdings for review. Our Code of Ethics also requires employees to obtain prior approval before any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Palisade's Code also includes oversight, enforcement and recordkeeping provisions.

Palisade's Code of Ethics includes the firm's policy of prohibiting the use of material non-public information. While Palisade does not believe that it has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of Palisade's Code of Ethics is available to its advisory clients and prospective clients. To obtain a copy, see the contact information on the cover page.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of Palisade's employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Palisade, and/or individuals associated with the firm, may buy or sell in their personal accounts, but only for securities identical to or different from those recommended to the clients. In addition, any related person(s) may have an interest or position in a certain security which may also be recommended to a client.

It is Palisade's policy that no person employed by Palisade may purchase or sell any security on a day that any client has a pending buy or sell order in that same security, until that order is executed or withdrawn. The **exception** to this policy is if the employee's total shares of a single issue purchased or sold in any single day **have a trade value of less than \$25,000 and** the issue is at least one billion in market capitalization.

Palisade may aggregate its employee trades with client transactions wherever possible and when compliant with the firm's duty to seek best execution for its clients. In these instances, participating clients will receive an average share price, and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, Palisade will allocate all purchases pro-rata, with each account paying the average price. The employee accounts will be included in the pro-rata allocation.

If situations represent actual or potential conflicts of interest to Palisade's clients, the firm has established the following policies and procedures for implementing the Code of Ethics. To ensure Palisade complies with its regulatory obligations and provides its clients and potential clients with full and fair disclosure of such conflicts of interest:

- Palisade's principals or employees may not put their own interests above the interests of an advisory client.
- Palisade's principals or employees may not buy or sell securities for their personal portfolio(s) if the information received is a result of their employment, unless the information is available to the investing public as well.
- Palisade requires prior approval for any Initial Public Offering or private placement investments by related persons of the firm.
- Palisade maintains a list of all reportable securities holdings for the firm and all associated persons that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by the firm's Chief Compliance Officer or other designated officer.
- Palisade has established procedures for the maintenance of all required books and records.
- Palisade's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Palisade requires delivery and acknowledgement of the Code of Ethics from each supervised person at the firm.
- Palisade has established policies requiring the reporting of any Code of Ethics violations to senior management.
- Palisade's principles or employees who violate any of the above restrictions may be subject to fines and/or termination.

ITEM 12 – BROKERAGE PRACTICES

Palisade does not assume the authority to determine what custodian will be used. If a client uses a broker-dealer as a custodian, Palisade will execute all transactions through that custodian at the existing commission schedule, unless the client requests otherwise.

Palisade's best execution policy informs clients that if they use a full-service broker-dealer, then trades could potentially be executed for less commission using a low-cost transactional broker. Palisade's clients are invited to compare their existing commission schedules with other low-cost transactional broker-dealers that the firm has worked with in the past.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, Palisade may recommend the use of one of several brokers including, but not limited to, Schwab Institutional, division of Charles Schwab & Co., Inc. ("Schwab"), provided that such a recommendation is consistent with the firm's fiduciary duties to the client. Palisade's clients must evaluate these brokers before opening an account. The factors considered by Palisade when making these recommendations are the broker's ability to provide professional services, the firm's experience with the broker, the broker's reputation, the broker's quality of execution services, and costs of such services. Clients are not under any obligation to affect trades through any recommended broker.

Schwab provides Palisade with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisers on an unsolicited basis, at no charge so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab. These services are not contingent upon

the firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, access to mutual funds, and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

For Palisade 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 also makes available to Palisade other products and services that may be of benefit, but may not directly benefit our client accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist Palisade in managing and administering its clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help Palisade manage and further develop its business enterprise. These services may include:

- compliance, legal and business consulting;
- publications and conferences on practice management and business succession;
- 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 Palisade. Schwab 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 Palisade. Schwab may also provide other benefits such as educational events for Palisade personnel. In evaluating whether to recommend that clients custody their assets at Schwab, Palisade 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.

Palisade will aggregate trades where possible and when advantageous to clients. The combining of client trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a prorated basis between all accounts included in any such trade.

Aggregate trading may allow Palisade to execute equity trades in a timelier, more equitable manner, at an average share price. Palisade will typically aggregate trades among clients whose accounts can be traded at a given broker, and will generally rotate or vary the order of brokers through which it places

trades for clients on any particular day. Palisade's block trading policy and procedures are as follows:

- Any client account transactions may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Palisade, or the firm's order allocation policy.
- The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client, and consistent with the client's investment objectives, as well as any other investment guidelines or restrictions applicable to the client's account.
- The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable, Palisade to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- Palisade's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, bought and sold for, that account.
- Funds and securities for aggregated orders are clearly identified on Palisade's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- No client or account will be favored over another.

ITEM 13 – REVIEW OF ACCOUNTS

Individual Portfolio Management and Investment Supervisory Services

- *Reviews* – While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are formally reviewed at least twice a year by an internal Investment Committee. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. Reviewers include portfolio managers, client relationship managers, analysts and traders. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.
- *Reports* – In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, Palisade provides quarterly reports summarizing account performance, balances and holdings.

Company Retirement Plans – Investment Advisory

- *Reviews* – On a periodic basis, Palisade reviews and monitors each company's retirement plan offerings to ensure that all mutual funds continue to be managed and perform at a similar level as when selected into the plan.
- *Reports* – Quarterly statements and a customized online website are provided for all participants and managed by the plan administrator/record-keeper.

Selection and Monitoring of *Third-Party Money Managers*

- *Reviews* – These client accounts should refer to the Manager's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and reviewed by the portfolio manager responsible for the overall client relationship.
- *Reports* – These clients should refer to the Manager's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that Manager.

Palisade does not typically provide reports in addition to those provided by either the custodian or Manager selected to manage the client's assets.

Financial Planning Services

- *Reviews* – While reviews may occur at different stages depending on the nature and terms of the specific services, typically no formal oversight reviews are conducted for Financial Planning clients unless otherwise contracted for.
- *Reports* – Financial planning clients will not typically receive periodic reports due to the nature of the service.

Consulting Services

- *Reviews* – While reviews may occur at different stages depending on the nature and terms of the specific services, typically no formal oversight reviews are conducted for Consulting Services clients unless otherwise contracted for.
- *Reports* – Consulting Services clients will not typically receive periodic reports due to the

nature of the service.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

It is Palisade's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to the firm.

It is Palisade's policy not to accept or allow its related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services Palisade provides to its clients.

ITEM 15 – CUSTODY

Palisade previously disclosed in the *Item 5 – Fees and Compensation* section that it directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact Palisade directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, Palisade also sends account statements directly to its clients on a quarterly basis. Palisade urges its clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Palisade does not have actual or constructive custody of client accounts.

ITEM 16 – INVESTMENT DISCRETION

Clients may hire Palisade to provide discretionary asset management services, in which case the firm will place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Palisade's discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell.

Clients give Palisade discretionary authority when they sign a discretionary advisory agreement with the firm, and may limit this authority by giving the firm written instructions. Clients may also

change/amend such limitations by once again providing Palisade with written instructions.

ITEM 17 – VOTING CLIENT SECURITIES

Palisade will vote proxies in the best interests of its clients and in accordance with its established policies and procedures. Palisade will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by Palisade that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If Palisade has a conflict of interest in voting a particular action, the firm will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of Palisade's complete proxy voting policies and procedures. Please see the contact information on the cover page. Clients may request, in writing, information on how proxies for their shares were voted. If any clients request a copy of our complete proxy policies and procedures or how we voted proxies for their account(s), Palisade will promptly provide such information to the client.

With respect to ERISA plans, Palisade will vote proxies if requested, unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest. Please see our contact information on our cover page.

ITEM 18 – FINANCIAL INFORMATION

Under no circumstances does Palisade require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, Palisade is not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, Palisade is also required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations. Palisade has no such financial circumstances to report.

Palisade has not been the subject of a bankruptcy petition at any time.