

PENGUIN GLOBAL WEALTH MANAGEMENT LLC; FORM ADV II

PENGUIN GLOBAL WEALTH MANAGEMENT BUSINESS OVERVIEW

Penguin Global Wealth Management LLC ("Penguin") is primarily a sub-advisor to other Registered Investment Advisors. There is generally no direct contact with end clients. The term "Client" as used in this document refers to the third party entity that contracts with Penguin (via a "Sub-advisor Agreement") to manage certain portfolios ("Portfolio Accounts").

Penguin manages investment assets with an active portfolio risk management process focused on a suite of "Core Investments" and a suite of "Satellite Investments".

Penguin receives and utilizes an Investment Policy Statement for each Portfolio Account listed in the Sub-advisor Agreement between Penguin and a Client. Such Investment Policy Statement aids Penguin in the management of the Portfolio Account.

Penguin Global is not a wealth manager or financial planner. It is not concerned with an end client's wealth management goals and/or the timing and magnitude of capital inflows and outflows save to the extent these are enumerated in the Investment Policy Statement.

Penguin is a Registered Investment Advisor in accordance with the provisions of the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts. Please read the section below entitled "Important Disclosure".

A. PORTFOLIO RISK MANAGEMENT GOALS AND PROCESSES

Penguin provides portfolio management services to Clients on a discretionary and/or a non-discretionary basis. A Client has investment goals for Portfolio Accounts that are aligned with Penguin's risk management process as follows:

I. Increase the probability of a Portfolio Account achieving an absolute return equal to the rate of US inflation rate plus five percent (5%).

II. The primary investment management risk tool is the investment management process described herein.

Penguin incorporates all Client-related custodial accounts into one asset allocation (Target Asset Allocation). The Target Asset Allocation for each portfolio account is provided and updated by the Client. Legacy assets (assets which are assigned to Penguin by the Client) are gradually sold (or potentially re-cycled for use in the Target Asset Allocation) subject to market conditions.

The Target Asset Allocation is broadly divided into two parts: (i) not risky/less risky investment choices ("Core Investments"); and (ii) more risky investment choices

("Satellite Investments"). (A "not risky" investment choice has a "zero" percent probability of loss of principal, such as a United States Treasury obligation; a "less risky" choice has a low probability of loss of capital, such as a short-term bond. "More risky" choices are generally equity, commodity and currency investments.)

The portfolio risk management process establishes a starting point for the ratio between Core and Satellite (the Target Asset Allocation). For example, a "capital preservation ratio" is 70% Core and 30% Satellite. A "capital growth ratio" is 40% Core and 60% Satellite. A "blend ratio" is 50% Core and 50% Satellite. (Note: The terms "growth", "preservation" and "blend" are used by Penguin merely as descriptive terms and do not imply or guarantee any particular rate of return or achievement of any particular investment goal.)

The capital preservation ratio has the following characteristics: (i) the investment time horizon where under foreseeable conditions, a Client will not need the capital during this period); (ii) a Client is more interested in preserving capital with probable growth as a secondary goal; and (iii) a Client is willing to accept less volatility (changes in investment prices, up and down over time). The "capital growth ratio" has a longer time horizon with concomitant greater volatility and the "capital blend ration" is a compromise between the two.

The Penguin portfolio risk management process uses ranges for all of the ratios discussed. This means that Penguin does not necessarily adhere to the Target Asset Allocation ratios described, but may increase and decrease the ratios depending on market conditions. For example, a capital preservation ratio may exceed 30% Satellite under favorable market conditions and be reduced below 30% under unfavorable market conditions. Favorable market conditions are generally defined as those conditions when the Satellite investments are exceeding the internal rate of return being earned by the Core investments. If the Satellite investments are earning less than the Core internal rate of return, funds generally may flow from the Satellite to the Core.

The Penguin portfolio risk management process uses an optional concept of a Capital Floor. The Capital Floor for each portfolio account is chosen by a Client as the amount of capital the portfolio account is targeted to not go below. The difference between the Capital Floor and the account value on any given day is the Cushion Amount. As both the Core and Satellite increase in value, the Cushion increases. The Cushion is the capital available for Satellite investments. In the event the Satellite investments have an internal rate of return the less than the internal rate of return of the Core investments, funds may flow from Satellite to Core, so as to increase the probability that the Capital Floor will not be breached. In effect, all of the ratios have a built-in capital preservation process utilizing this Capital Floor concept. The Capital Floor is a target. Penguin cannot control market conditions and a Client acknowledges this and further agrees that the Capital Floor is merely a target; that it is not guaranteed and that Client's investments may lose value in excess of the Capital Floor.

III. Penguin provides portfolio risk management services for relatively uniform Investment Policy Statements, namely, those that specify and concur with the concept of attempting an absolute rate of return year in and year out. Penguin believes that the more uniform the portfolio risk management and suite of investments, the greater the probability of achieving the target absolute rate of return. Penguin works only with Clients that are comfortable with its portfolio risk management process.

IV. Brokerage services and custodial services are at the direction of the Client.

B. VALUE TO CLIENT

Penguin Global adds significant value to its Client's business. Penguin Global actively manages the composition of the Core and Satellite investments and the allocation between Core and Satellite. This "value added" to a Client not only justifies the fee structure (discussed below), but permits a Client to focus on wealth management for its end clients, by advising on portfolio management on a discretionary or non-discretionary basis.

Most importantly, Penguin acts as its Client's fiduciary, which is the highest standard of trust and concern. Penguin will not act at cross purposes to its Clients.

D. IMPLEMENTATION STRATEGY: LOW COST, TAX EFFICIENT INVESTMENT VEHICLES

EXCHANGE TRADED FUNDS

Penguin investment vehicles of choice are primarily low cost, tax efficient Exchange Traded Funds (ETFs). The main providers of ETFs include: Barclays, State Street Global Advisors, Vanguard, Fidelity, Wisdom Tree, Powershares (and many others which Penguin monitors until they stand the test of time). The advantages of ETFs are discussed below.

I. *Low investment management cost.* Most ETFs charge fees under .5% (50 basis points), with many at 20 basis points and below. This contrasts with actively managed mutual funds of around 1.75% (175 basis points).

II. *Tax efficiency.* Because an ETF is based on an index, capital gains that may result from the trading of an active mutual fund manager, are minimal. In addition, the manager of an ETF does not have to sell the underlying securities to pay out a seller of an ETF, as a mutual fund manager sometimes has to do.

III. *Immediate liquidity.* ETFs trade all day long in the same manner a stock or bond trades.

1V. Broad based and high degree of specific asset class availability. There are currently about 1,000 ETFs available, tracking indexes that range from very broad (total stock market) to quite specific (an index composed of companies engaged in water resource businesses).

V. Typical ETF out performance of active mutual fund managers. In studies by Morningstar, Inc. over the 10 year period from 1996 to 2006, US equity active mutual fund managers underperformed the index that their fund is matched to by 96% of large-cap value managers, 100% of mid-cap value managers and 93% of small cap value managers on an after tax (meaning after the fund pays the taxes owed on the trades made during a year) basis. Similarly, large-cap growth managers underperformed 56% of the time, mid-cap growth managers 70% and small-cap growth managers 31 % of the time on an after tax basis. This underperformance record is worse if the last five years are reviewed.

VI. Trading Flexibility. Due to the fact that ETFs trade all day on an exchange, investors can benefit from potential use of stop loss and limit orders. In addition, ETFs can be sold short and can be purchased on margin.

E. INDEX MUTUAL FUNDS

The main providers of index mutual funds are many large mutual fund companies that also offer "no load" mutual funds. These providers include but are not limited to: Vanguard, Fidelity, and Schwab. Index mutual funds and ETFs share many of the same many positive attributes including:

I. Low investment management cost.

II. Tax efficient due to low turnover and avoidance of capital gains.

III. Broad based with a moderate degree of specific asset class availability.

IV. Outperforms most active fund managers

V. Permits flexibility relative to similar ETF on cost and certain tax efficient strategies involving "wash sales".

F. ACTIVE MUTUAL FUNDS; INDIVIDUAL EQUITIES

Penguin utilizes active mutual funds for certain Core investments (the fixed income asset allocation). Penguin believes that due to the lack of transparency in certain fixed income asset classes, the utilization of active managers increases the probabilities of positive returns.

Penguin's portfolio risk management process can also incorporate individual equities. This is because the process compares the internal rate of return of the Core to the internal

rate of return of the Satellite. Therefore, the Satellite can utilize any asset as long as the asset performs in excess of the Core internal rate of return. That said, as stated above, Penguin prefers to reduce individual equity risk and utilize index-type investment vehicles.

G. INVESTMENT ADVISOR REPRESENTATIVES OF PENGUIN GLOBAL

John F. Smitka, Jr., Esq.

Mr. Smitka has an undergraduate degree from Colgate University; a M.B.A. in Finance from the Carroll School of Management of Boston College, concentrating in securities analysis; and a J.D. from Boston College Law School. Mr. Smitka's career combines the law and investment management. He has been a partner in major law firms and a corporate general counsel with a Public Utility Holding Company. On the investment side, Mr. Smitka has been a portfolio manager with Rhode Island Hospital Trust; an Investment Advisor Representative and Registered Representative with UBS, AG; Banc of America Investment Services, Inc. and an Investment Advisor Representative with Tiedemann & Associates Investment Advisors, Inc., Weston, Massachusetts. He is a licensed insurance broker and licensed real estate broker in Massachusetts.

J. MANAGEMENT FEES

Annualized: a fee of up to 35 basis points of the Portfolio Account value. Penguin and Client negotiate a Sub-advisor Agreement that contains a fee schedule and Client pays Penguin directly. No Penguin fees are deducted from any Portfolio Account.

K. INDEPENDENT THIRD PARTY CUSTODIAN AND TRADING SERVICES

Penguin utilizes the trading and custodial services that the Client has arranged for each Portfolio Account.

M, IMPORTANT DISCLOSURES

I. Penguin Global Wealth Management LLC is a Registered Investment Advisor. As such, it is organized in accordance with the applicable statutes and regulations of the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts ("Division"). The Division maintains a disciplinary history of all investment advisors and their representatives. Such information may be obtained by a client by dialing the Division at 617-727-3548. ***Penguin Global makes no representations whatsoever that it has been sponsored, recommended or approved, or that its abilities or qualifications have in any respect been passed upon by the Division or any official of said Division.*** This disclosure also applies to any other state securities commission or regulatory body that may have jurisdiction over Penguin and/or its Investment Advisor Representatives.

II. Other Business Activities. Penguin does not engage in any other business activities.

III. Other Financial Industry Activities or Affiliations. None.

IV. Participation or Interest in Client Transactions. Penguin does not participate in nor have any co-investment interests in any Client transactions. Penguin's Investment Advisor Representatives may, from time to time, hold investments similar to Client investments.

V. Additional Compensation. None.

VI. Privacy.

Registered Investment Advisors and their representatives are forbidden to share any information about a client or prospective client with any third party in accordance with the Code of Massachusetts Regulations (950 CMR (9)(c) 13), unless a client specifically agree to so. Penguin does not share any Client information with any third party.