

Palliser Bay Investment Management, LLC

a Registered Investment Adviser

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Disclosure Brochure

March 25, 2012

This brochure provides information about the qualifications and business practices of Palliser Bay Investment Management, LLC (hereinafter “Palliser Bay”). If you have any questions about the contents of this brochure, please contact Mark Schlarbaum at (610) 977-0110. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Palliser Bay Investment Management, LLC is available on the SEC’s website at www.adviserinfo.sec.gov.

Palliser Bay Investment Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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Item 2. Material Changes

This Item discusses only the material changes that have occurred since Palliser Bay's last annual update. Palliser Bay's only material change to report is a change in Assets Under Management, which reflected in Item 4.

The date of the Firm's last brochure was July 15, 2011.

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Firm Disclosure Brochure

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Supervised Person Brochure Supplements

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Item 4. Advisory Business

Palliser Bay is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging Palliser Bay to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Palliser Bay setting forth the terms and conditions under which Palliser Bay renders its services (collectively the “*Agreement*”). Neither Palliser Bay nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of Palliser Bay is not considered an assignment.

Palliser Bay has been in business since February 2011. Gary Schlarbaum is the principal owner.

Palliser Bay has \$ 123,843,401 of assets under management as of February 28, 2012, all of which are managed on a discretionary basis.

This disclosure brochure describes the business of Palliser Bay. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Palliser Bay’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Palliser Bay’s behalf and is subject to Palliser Bay’s supervision or control.

Investment Management Services

Clients can engage Palliser Bay to manage all or a portion of their assets on a discretionary basis. Clients may engage Palliser Bay directly to manage their assets. In addition, Palliser Bay acts as a subadvisor to Navigator Unified Solutions, a wrap program sponsored by Clark Capital Management Group, Inc. (“Clark”), and Navigator Master, another wrap program also sponsored by Clark. Additional information regarding these wrap programs is available in the respective wrap fee program disclosure brochure. Palliser Bay also acts as a subadvisor to client accounts that are managed by Clark.

General

Palliser Bay primarily allocates clients’ investment management assets among individual equity securities, exchange traded funds (ETFs), and/or options in accordance with the investment objectives of the clients. Palliser Bay also provides advice about any type of investment held in clients’ portfolios.

Palliser Bay tailors its advisory services to the individual needs of clients. When Palliser Bay is engaged directly by a client, Palliser Bay consults with the client initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. Palliser Bay ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

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For clients where Palliser Bay is acting as a subadvisor for Clark, a representative of Clark is responsible for obtaining the end client's investment objectives and selecting one Palliser Bay's model portfolios for the client. Palliser Bay does not meet directly with those clients. Clark is responsible for meeting with the end client to review his or her financial situation, investment objectives, and current portfolios and then make any necessary changes to the portfolio strategy selection. Palliser Bay manages each model in accordance with the investment strategy of the particular model.

Clients are advised to promptly notify Palliser Bay if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Palliser Bay's management services.

Additions and Withdrawals to Accounts

Clients may make additions to and withdrawals from their account at any time, subject to Palliser Bay's right to terminate an account. Clients may withdraw account assets on notice to Palliser Bay, subject to the usual and customary securities settlement procedures. However, Palliser Bay designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

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Item 5. Fees and Compensation

Palliser Bay offers its services on a fee basis based upon assets under management.

Investment Management Fee

Palliser Bay provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Palliser Bay. Palliser Bay's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Palliser Bay does not, however, receive any portion of these commissions, fees, and costs. Palliser Bay's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Palliser Bay on the last day of the previous quarter. The annual fee varies (between 0.50% and 0.75%) depending upon the market value of the assets under management and the type of investment management services to be rendered. Palliser Bay, in its sole discretion, may negotiate to charge a lesser 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, pre-existing client, account retention, *pro bono* activities, etc.).

Fees Charged by Financial Institutions

Palliser Bay may only implement its investment management recommendations after the client has arranged for and furnished Palliser Bay with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to a broker-dealer recommended by Palliser Bay (which is only done upon client request), broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Palliser Bay's fee. Palliser Bay's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Palliser Bay to debit the client's account for the amount of Palliser Bay's fee and to directly remit that management fee to Palliser Bay. Any *Financial Institutions* recommended by Palliser Bay have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account

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including the amount of management fees paid directly to Palliser Bay. Alternatively, clients may elect to have Palliser Bay send an invoice for payment.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.

The *Agreement* between Palliser Bay and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Palliser Bay's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that Palliser Bay reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Palliser Bay may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

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Item 6. Performance-Based Fees and Side-by-Side Management

Palliser Bay does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

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Item 7. Types of Clients

Palliser Bay provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

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

Palliser Bay's primary methods of analysis are fundamental and technical.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Palliser Bay will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Palliser Bay will be able to accurately predict such a reoccurrence.

In developing its portfolios, Palliser Bay primarily utilizes both U.S. and global individual equities and ETFs. Palliser Bay evaluates securities that it believes are undervalued relative to the rest of the market using a "value with a catalyst" approach. Palliser Bay uses a proprietary method to evaluate its recommendations and develop model portfolios.

An investment in an ETF involves risk, including the loss of principal. ETFs are subject to secondary market trading risks. Shares of ETFs are listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that an ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price that an investor would buy or sell the ETF at. The per share NAV of an ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the ETF's holdings. The trading prices of an ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the ETF's shares trading at a premium or discount to NAV.

Palliser Bay may recommend the use of options for certain clients. Options allow Palliser Bay to hedge (limit) certain losses on positions clients hold. The option allows Palliser Bay to buy or sell a security at a certain price (not the current market price). Clients pay a fee for the option. If the option falls outside the money (i.e., the market price of the security does not justify purchasing/selling the security at the option price), the client will lose the fee for that option.

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Market Risks

The profitability of a significant portion of Palliser Bay's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Palliser Bay will be able to predict those price movements accurately.

Management Through Similarly Managed Accounts

Palliser Bay manages portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, Palliser Bay buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

Palliser Bay's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Palliser Bay's clients may be limited. As further discussed in response to Item 12B (below), Palliser Bay allocates investment opportunities among its clients on a fair and equitable basis.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

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Item 9. Disciplinary Information

Palliser Bay is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Palliser Bay does not have any required disclosures to this Item.

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Item 10. Other Financial Industry Activities and Affiliations

Palliser Bay is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Palliser Bay has described such relationships and arrangements below.

As discussed above, Palliser Bay may act as a subadvisor to Clark through Clark's wrap fee programs. In addition, the principal of Palliser Bay is also a shareholder in Clark. As such, there may be a conflict of interest to recommend clients engage Clark or place assets on one or more of its wrap fee program.

Affiliated Collective Investment Vehicle

The principal of Palliser Bay is also the sole owner of Palliser Bay Capital Management, LLC, which acts as the manager of Palliser Bay Opportunity Fund LP (the "*Private Fund*"), a limited partnership. Palliser Bay does not solicit clients to investment in the *Private Fund*; as such, Palliser Bay does not believe this poses any conflict of interest.

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Item 11. Code of Ethics

Palliser Bay and persons associated with Palliser Bay (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Palliser Bay’s policies and procedures.

Palliser Bay has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Palliser Bay or any of its associated persons. The *Code of Ethics* also requires that certain of Palliser Bay’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Palliser Bay’s *Code of Ethics*, none of Palliser Bay’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) 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 Palliser Bay’s clients.

When Palliser Bay is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Palliser Bay is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Palliser Bay to request a copy of its *Code of Ethics*.

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Item 12. Brokerage Practices

As discussed above, in Item 5, Palliser Bay generally recommends that clients utilize the brokerage and clearing services of one of more *Financial Institutions*.

Factors which Palliser Bay considers in recommending the *Financial Institutions* include their respective financial strength, reputation, execution, pricing, research and service.

The commissions paid by Palliser Bay's clients comply with Palliser Bay's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Palliser Bay determines that the commissions are reasonable in relation to the value of the brokerage and research 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Palliser Bay seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Palliser Bay periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Palliser Bay in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Palliser Bay will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Palliser Bay (as described below). As a result, the 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. Subject to its duty of best execution, Palliser Bay may decline a client's request to direct brokerage if, in Palliser Bay's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Palliser Bay decides to purchase or sell the same securities for several clients at approximately the same time. Palliser Bay 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 Palliser Bay'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 generally be averaged as to price and allocated among Palliser Bay's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Palliser Bay determines to aggregate client orders for the purchase or sale of securities, including securities in which Palliser Bay's *Supervised Persons* may invest, Palliser Bay shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Palliser Bay shall not

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receive any additional compensation or remuneration as a result of the aggregation. In the event that Palliser Bay determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Palliser Bay may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Palliser Bay in its investment decision-making process. Such research generally will be used to service all of Palliser Bay's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Palliser Bay does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

Palliser Bay may receive from the *Financial Institutions*, without cost to Palliser Bay, computer software and related systems support, which allow Palliser Bay to better monitor client accounts maintained at the respective *Financial Institution*. Palliser Bay may receive the software and related support without cost because Palliser Bay renders investment management services to clients that maintain assets at the *Financial Institution*. The software and related systems support may benefit Palliser Bay, but not its clients directly. In fulfilling its duties to its clients, Palliser Bay endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Palliser Bay's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Palliser Bay's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

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Item 13. Review of Accounts

For those clients to whom Palliser Bay provides investment management services, Palliser Bay monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Palliser Bay's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Palliser Bay and to keep Palliser Bay informed of any changes thereto. Palliser Bay shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Palliser Bay provides investment advisory services will also receive a report from Palliser Bay that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time and as agreed to by Palliser Bay. Clients should compare the account statements they receive from their custodian with those they receive from Palliser Bay.

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Item 14. Client Referrals and Other Compensation

Palliser Bay is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Palliser Bay is required to disclose any direct or indirect compensation that it provides for client referrals.

Palliser Bay may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

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Item 15. Custody

Palliser Bay's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Palliser Bay through such *Financial Institution* to debit the client's account for the amount of Palliser Bay's fee and to directly remit that management fee to Palliser Bay in accordance with applicable custody rules.

The *Financial Institutions* recommended by Palliser Bay have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Palliser Bay. In addition, as discussed in Item 13, Palliser Bay also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Palliser Bay.

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Item 16. Investment Discretion

Palliser Bay is given the authority to exercise discretion on behalf of clients. Palliser Bay is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Palliser Bay is given this authority through a power-of-attorney included in the agreement between Palliser Bay and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Palliser Bay takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

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Item 17. Voting Client Securities

Palliser Bay is required to disclose if it accepts authority to vote client securities. Palliser Bay does not vote client securities on behalf of its clients.

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Item 18. Financial Information

Palliser Bay does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Palliser Bay is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Palliser Bay has no disclosures pursuant to this Item.