

TSA MANAGEMENT INC.
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03/15/2013

This brochure provides information about the qualifications and business practices of TSA Management Inc. If you have any questions about the contents of this brochure, please contact Rachel Pino at 516-676-3332 or email us at info@hallidayfinancial.com. 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.

TSA Management Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about TSA Management Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 01/17/2012 is a new document prepared according to the SEC's new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not.

There are no material changes to report from the previous release of the Firm Brochure. In the future, this item will discuss only specific material changes that are made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide clients with a new brochure as necessary based on changes or new information, at any time, without charge. Currently, our brochure may be requested by contacting Rachel Pino, CCO at 516-676-3332 or rpino@hallidayfinancial.com. Our brochure is also available on our web site www.HallidayFinancial.com, also free of charge.

Additional information about TSA Management Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with TSA Management Inc. who are registered, or are required to be registered, as investment adviser representatives of TSA Management Inc.

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Item 4 – Advisory Business

TSA Management, Inc. (“TSA”), founded in 1991, provides investment supervisory services through investment management programs by giving continuous advice to you and by making investment decisions based on individual needs. Through personal discussions, TSA develops a personal investment policy, and creates and manages a portfolio based on your goals and objectives derived from discussions. Your portfolio may include investments in load or no load mutual funds, stock, individual bonds (corporate, government and municipal), variable annuities and exchange traded funds (ETFs). TSA manages advisory accounts on a discretionary and non-discretionary basis. Account supervision is guided by your stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income).

In addition to the services described in this brochure, we also offer other fee-based account products through agreements with Morningstar, Curian Capital and SEI Investments. Those products may have fees lower or higher than products provided through the TSA platform. You can find out more information about these products by asking an Investment Advisor for a separate brochure which describes these programs.

Principal Owners

TSA is a division of Halliday Financial Group, Inc which (as of January 2012) is owned by the following individuals:

Rachel Holste Halliday Pino, CCO	22.5%
Denis J. Moynihan, II, President and Portfolio Manager	16.3%
Sean Mohammadi	16.3%
Andrew Halliday	22.5%
Melissa Halliday Maynard	6%
Scott Solomon	2.33%
Treasury	14. %

As of 12/31/2012, TSA Management Inc. manages approximately \$163,195,172 in assets for approximately 957 clients. Approximately \$129,471,896 is managed on a discretionary basis and \$33,723,276 is managed on a non-discretionary basis.

Types of Agreements

Individual Customized Portfolios

The following agreements define the typical relationship:

- **Discretionary:** A discretionary contract allows TSA to execute trades for your account at your discretion without requiring prior approval. If you so chose, we will accept discretionary authority (by contract) to manage securities accounts on your behalf. This will give TSA the authority to determine, without obtaining specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold for the account.
- **Non-Discretionary:** Non-discretionary agreements require TSA to obtain your permission prior to executing each trade.
- **Directed Brokerage:** You may obtain investment advice from TSA while directing us to execute trades in an account you hold at another broker-dealer.

Agreements may not be assigned without your consent.

Tailored Relationships

When you choose to have us manage your assets, we will provide you with a Personal Investor Profile Questionnaire, an Asset Allocation Selection form and New Account form. In addition you will receive an Investment Advisory Agreement, which will detail all of the important terms and conditions pertaining to your account.

The Personal Investor Profile Questionnaire (the "Investor Questionnaire") requests information regarding your financial circumstances and investment objectives. You have the ability to impose reasonable restrictions on the management of funds (e.g. you can designate particular equities, bonds, exchange traded funds (ETFs) and mutual funds that should **not** be selected for your account) and have designated these restrictions on your portfolio Selection Form. TSA has the right to refuse to follow any instructions which it deems unreasonable. If the particular restrictions are found to be unreasonable in TSA's sole, you will be notified and given a chance to restate the restriction. If unable or unwilling to do so, your account may be removed from TSA's discretion.

The Asset Allocation Selection Form which includes TSA's recommended asset allocation (the "Recommended Asset Allocation") among asset classes (e.g. U.S. equities, international equities, corporate bonds, bonds issued by U.S. Government or its agencies). The Recommended Asset Allocation seeks to balance your investment objectives against your risk tolerances as part of a long-term investment strategy based on the information provided in the Investor Questionnaire. You may select TSA's recommended asset allocation for your portfolio or may modify it as provided for in the Asset Allocation Selection Form. Based upon the asset allocation chosen by you, TSA chooses a Portfolio of no-load equities, bonds, exchange traded funds (ETFs) and mutual funds for the account. You have the right to inform TSA not to purchase certain equities, bonds, exchange traded funds (ETFs) and mutual funds for the Account.

The New Account form will request information about your financial background, investment experience, objectives, risk tolerance, customized portfolio options and important disclosures and attestations. Before signing it is important for you to read all of the terms of this form. As your goals and objectives change over time, your Investment

Advisor will update the records and file. After any changes, the advisor will provide you with new recommendations and advice that fit your changing needs.

Your portfolio can be further customized in different ways to suit your needs and meet your goals. When you open a new advisory account or at any time thereafter you have the option of imposing investment restrictions on certain securities, industries or sectors by providing the Investment Advisor with written instructions. Your account will be reviewed at a minimum on a quarterly basis to evaluate the asset allocation as well as rebalance the portfolio to keep in line with your goals as necessary. Your account can be managed in a tax efficient manner; however we do not provide tax advice or tax management services. Securities from outside accounts maybe transferred into your advisory account; however it may be recommended that you sell any security if it is believed that it is not suitable for the current recommended investment strategy.

In addition to the services described in this brochure, we also offer the Lockwood Program. Below are the separate descriptions of the various portfolio options available under the Lockwood platform.

Lockwood Managed Account Advisor (“MAA”) Program

MAA is a program sponsored by Lockwood, with clearing and custody services through its affiliate Pershing LLC (“Pershing”), member FINRA NYSE and SIPC. Lockwood Advisors, Inc. is an SEC-registered investment adviser and is owned by The Bank of New York Mellon Corporation.

TSA will utilize software and documentation provided by Lockwood to assist the you in selecting an investment style allocation and/or diversified portfolio of investments including investment vehicle(s) and/or managers (“Manager(s)”) appropriate for you initially and on an on-going basis. TSA will collect financial and personal information from you, assist you in establishing investment objectives and strategies, and evaluate the suitability of the products for you. TSA will then assist you in selecting a Manager(s) from the Lockwood research department’s list of Managers with whom Lockwood does business.

TSA will have the authority to hire and fire the selected Managers and re-allocate assets among them without your prior consent. Lockwood has limited investment discretion to change the selected Manager(s) if your financial circumstances change or economic or market conditions change, to the extent that Lockwood feels that a Manager change is advisable, or, if in Lockwood’s opinion, the Manager(s) selection can no longer meet the our investment objectives. The Manager(s) selected by you and/or TSA are granted investment discretion by you and exercise this authority in the day-to-day portfolio management of your account(s).

Lockwood Advisor Flex Portfolios (“AFP”)

Whereas Lockwood is the sponsor and portfolio manager of the AFP product, after review and approval of the asset allocations and investment selections recommended by Standard

& Poor's Investment Advisory Services LLC ("SPIAS"), Lockwood makes certain model portfolios ("Models") available to TSA for you. Lockwood will implement certain model updates throughout the life of your AFP account, and you will give Lockwood the limited discretion to implement such updates. Model updates may include replacing one investment vehicle with another or changing the asset allocation. All trades are individual to each AFP account and are not aggregated.

You will grant limited discretion to TSA to make changes to the investment vehicles in your account throughout the life of an account.

Lockwood Investment Strategies ("LIS") Program

The LIS product consists of five core models and variations thereto which span the risk/return spectrum. Lockwood's affiliate, Lockwood Capital Management, Inc. ("LCM"), acts as an Overlay Manager and selects various Sub-Advisors who provide strategy-specific models, and/or investment vehicles, including mutual funds and exchange-traded funds for each investment style component of each of the portfolios. With Lockwood exercising investment discretion over the accounts established under this program, LCM coordinates the buying and selling of securities, tax efficiency, and rebalancing across each portfolio. The account is rebalanced periodically to reflect the market changes and to maintain compliance with Lockwood's strategy-specific guidelines and your investment objectives.

TSA will provide you with an asset allocation strategy developed through personal discussions in which goals and objectives based on your particular circumstances are established. This asset allocation strategy is drafted into your Personal Investment Policy Statement. You will grant limited discretion to Lockwood to rebalance the account by replacing one investment vehicle or model with another. You will also grant TSA limited discretion for the purpose of making investment vehicle, model, and asset allocation selections. TSA has the ability, subject to certain limitations, to override Lockwood's proposed asset allocation and/or investment proposal.

Lockwood Asset Allocation Portfolios ("LAAP") Program

LAAP is a discretionary, multi-discipline managed portfolio product housed in a single account and managed by LCM. LCM serves as the Portfolio Manager, determines asset allocation strategy and selects investment vehicles for each investment style component of LAAP based on proprietary models. LAAP consists of five core models, which may consist of mutual funds, exchange-traded funds and other types of securities, as determined by LCM.

TSA will provide you with an asset allocation strategy developed through personal discussions in which goals and objectives based on your particular circumstances are established. This asset allocation strategy is drafted into your Personal Investment Policy Statement. You will grant limited discretion to Lockwood to rebalance the account by replacing one investment vehicle or model with another. You will also grant TSA limited

discretion for the purpose of making investment vehicle, model, and asset allocation selections. TSA has the ability, subject to certain limitations, to override Lockwood's proposed asset allocation and/or investment proposal.

Item 5 – Fees and Compensation

Description

The specific manner in which fees are charged by TSA Management Inc. are established in your Investment Advisory agreement with TSA Management Inc. TSA Management Inc. will generally bill its fees on a quarterly basis. You may elect to be billed in advance or arrears each calendar quarter. If you choose to be billed either quarterly in arrears, your fees will be based on the value of the assets at the end of the current quarter. If you choose to be billed in advance, your fee will be based on your assets at the time of account inception. This means that your fee will be based upon the value of the account when you deposit the funds. You may also elect to be billed directly for fees or may authorize TSA Management Inc. to directly debit fees from your accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Termination of Agreement

Investment advisory contracts may be terminated by either you or TSA without payment of any penalty, upon written notice to the other party. Termination by either the you or TSA does not have the effect of canceling orders to deposit or invest cash or to purchase or sell securities prior to receipt of notice of cancellation. In the event either you or your Investment Advisor terminate the Agreement, you will receive a pro-rata bill representing your portfolio value at the time of termination, adjusted for the number of days from the last billing quarter for the portion of the quarter not yet billed if your account has been billed in arrears. If your account has been billed in advance for the next calendar quarter, you will be refunded the on a pro-rata basis.

Fee Billing

The minimum initial amount of Program Assets for your account is \$50,000. The minimum account size may be changed from time to time at the sole direction of TSA. However, if the minimum amount in your account drops below \$40,000, TSA shall have the right to terminate the Account.

The annual fee is based on a percentage of investable assets according to the following schedule under the specific programs stated:

Tier I: The annual fee charged for investment supervisory service depends on the program you select and ranges from 0.3% to 2.5% of assets under management. There is a transaction charge for each buy and sell transaction (excluding sweep transactions in money market funds). The transaction fee is paid directly to HRC Investment Services (the affiliated broker dealer for TSA Management).

Tier II: This consists of a flat one (1%) percent fee up to \$1,000,000 of assets under management and no transaction costs above \$500,000. Fees for accounts in excess of \$1,000,000 are negotiable. Another account under the Tier II program is charged a flat one (1%) percent but is charged all transaction fees.

Tier III: This consists of a flat one (2.5%) percent fee on all assets under management and no transaction costs.

All fees are subject to negotiation.

Other Programs offered through TSA Management and their corresponding fees—

Lockwood Fees--Under the Managed of Managers Programs:

Lockwood Managed Account Advisor ("MAA") Program

Managers will generally not accept accounts under \$100,000, with the minimum account sizes varying slightly in some instances.

FEES: MAA is available only on a fee basis. Generally the fee components are 1) Lockwood advisory or program fee; 2) Manager(s) fee; 3) Clearing and custody fee; 4) and TSA fee.

Each manager engaged by you will set and charge fees independently of one another and, as such, fees may vary from Manager to Manager. Managers' fees typically range between 0.20% and 0.75% of assets annually on an account basis. Lockwood's fees typically range between 0.25% to 0.65% of assets annually on an account basis for equity investments and between 0.15% to 0.35% of assets annually on an account basis for fixed income investments. Based on the agreement with you, these fees may include clearing and custody fees. Thus, an overall fee will depend on the Manager(s) selected, amount of assets under management, types of investment held, and the fee charged by TSA. Total fees typically range from 1.00% to 3.00%, based on the Investment Advisor outlined above. TSA will ensure that the aggregate fee charged will never exceed 3.00% of the assets under management. TSA's investment advisory fee, constituting a portion of the total fee charged is based on the following fee schedules:

<u>Equity--Assets Under Management (\$)</u>	<u>Fee (%)</u>
First \$500,000	1.00%
Next \$500,000	1.00%
Next \$4,000,000	0.75%

Next \$5,000,000	0.30%
Over \$10,000,000	0.20%

<u>Fixed Income--Assets Under Management (\$)</u>	<u>Fee (%)</u>
First \$500,000	0.65%
Next \$500,000	0.65%
Next \$4,000,000	0.50%
Next \$5,000,000	0.35%
Over \$10,000,000	0.30%

These fee schedules may be negotiable under certain circumstances.

Lockwood debits the account for the fees charged by Lockwood, the clearing agent, the selected Manager(s), and TSA and remits the fees to the respective parties accordingly. Fees are debited in advance for the next calendar quarter based on the value of the assets at the end of the prior calendar quarter.

Participating in the MAA program should carefully review Lockwood's Form ADV Part II and Schedule H for a detailed description of all fees in the program, including the wrap fee option.

Lockwood Advisor Flex Portfolios ("AFP")

The minimum account size of AFP accounts is \$100,000, with minimum subsequent contributions of \$1,000.

FEES: AFP is available only on a fee basis. Generally the fee components are 1) Lockwood advisory or program fee (inclusive of SPIAS fee; 2) Clearing and custody fee, and execution fee paid to Pershing; 3) and TSA fee. The combined Lockwood and Pershing fees range from 0.25% to 0.40% of assets annually on an account basis. TSA will ensure that the aggregate fee charged will never exceed 3.00% of the assets under management. TSA's investment advisory fee, constituting a portion of the total fee charged is based on the following fee schedule:

<u>Assets Under Management (\$)</u>	<u>Fee (%)</u>
First \$500,000	1.00%
Next \$500,000	1.00%
Next \$4,000,000	0.75%
Next \$5,000,000	0.50%

Over \$10,000,000	0.20%
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This fee schedule may be negotiable under certain circumstances.

Your participation in the MAA program should carefully review Lockwood's Form ADV Part II and Schedule H for a detailed description of all fees in the program, including the wrap fee option. Additional expenses associated with the specific underlying investment vehicles (such as, 12b-1 fees, redemption fees and internal expenses fees) may apply.

Lockwood Investment Strategies ("LIS") Program

The minimum initial investment in this program is \$250,000.

FEES: The LIS program fee includes the LCM advisory fee and Overlay Manager fee, the Sub-Adviser fees, clearing and custodial fees. The program fee does not include fees or expenses which may be associated with the underlying investment vehicles such as redemption fees, 12b-1 fees, or internal expense ratios. The overall fee will depend on amount of assets under management, types of investments held, and the fee charged by TSA. The LIS fee typically ranges from 0.30% to 0.75% of assets under management, based on the Investment Advisor outlined above. TSA will ensure that the aggregate fee charged will never exceed 3.00% of the assets under management. TSA's investment advisory fee is in addition to the LIS program fee and is based on the following fee schedule:

<u>Assets Under Management (\$)</u>	<u>Fee (%)</u>
First \$500,000	1.00%
Next \$500,000	1.00%
Next \$4,000,000	0.75%
Next \$5,000,000	0.50%
Over \$10,000,000	0.20%

This fee schedule may be negotiable under certain circumstances.

Lockwood debits your account for the fees charged by LCM, it's clearing agent, Sub-Advisers, and TSA and remits the fees to the respective parties accordingly. Fees are debited in advance for the next calendar quarter based on the value of the assets at the end of the prior calendar quarter.

Participating in the LIS program should carefully review Lockwood's and LCM's Form ADV Part II and Schedule H for a detailed description of all fees in the program, including the wrap fee option.

Lockwood Asset Allocation Portfolios ("LAAP") Program

Until January 19, 2008, the minimum initial investment was \$25,000. Effective January 19, 2008, the minimum account size is \$50,000.

FEES: The LAAP program fee includes the LCM advisory fee, a sponsor fee, the administrative fee, and clearing and custodial fees. The program fee does not include fees or expenses which may be associated with the underlying investment vehicles such as redemption fees, 12b-1 fees, or internal expense ratios. The overall fee will depend on amount of assets under management, types of investments held, and the fee charged by TSA. The LAAP fee typically ranges from 0.10% to 0.40% of assets under management, based on the Investment Advisor outlined above. TSA will ensure that the aggregate fee charged will never exceed 3.00% of the assets under management. TSA's investment advisory fee is in addition to the LAAP program fee and is based on the following fee schedule:

<u>Assets Under Management (\$)</u>	<u>Fee (%)</u>
First \$500,000	1.00%
Next \$500,000	1.00%
Next \$4,000,000	0.75%
Next \$5,000,000	0.50%
Over \$10,000,000	0.20%

This fee schedule may be negotiable under certain circumstances.

Participating in the LAAP program should carefully review Lockwood's and LCM's Form ADV Part II and Schedule H for a detailed description of all fees in the program, including the wrap fee option.

WRAP FEES: As previously disclosed, participating in the Lockwood program(s) may pay an all inclusive wrap fee which includes charges for advisory services, custody, clearing, transaction execution and account reporting. Participating in these programs also agrees to direct brokerage in their account(s) through Pershing. Therefore, in evaluating such an arrangement, you should recognize that brokerage commissions for the execution of transactions in the account are not negotiated by TSA or Lockwood, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to you and those charged to other TSA accounts. You should also consider that, depending upon the level of the wrap fee charged by the broker dealer, the amount of portfolio activity in your account, the value of custodial and other services which are provided under the arrangement, and other Investment Advisors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if TSA and/or Lockwood were free to negotiate commissions and seek best price and execution of transactions for the clients account.

Advisory fees will always be offset for commissions earned on securities transactions executed in pension, profit-sharing, 401k, IRA or your accounts where it otherwise would constitute a prohibited transaction under the provisions of ERISA or the Internal Revenue Code.

Other Fees and Charges:

Under some of the programs, TSA Management Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by you (unless stated in the program selected). You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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.

Mutual funds and exchange traded funds charge internal management fees by the mutual funds that are purchased in your account. Mutual funds generally charge a management fee for their services as investment managers. This management fee, along with other charges, is included in the "expense ratio". For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. Mutual funds may also charge an early termination fee if you sell shares prior to the fund's required holding period. These fees are further disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to TSA Management Inc.'s fee, and TSA Management Inc. shall not receive any portion of these commissions, fees, and costs.

TSA also participates in the Charles Schwab & Co., Inc. Schwab Institutional Program. Charles Schwab may receive compensation from the mutual funds, in addition to account transaction fees paid directly by clients. No portion of such compensation or fees is paid to TSA or any affiliated entity.

Typically, participating in Lockwood's programs will be provided brokerage, custody, and clearing services through its affiliate, Pershing. You should carefully review all the terms and conditions of the agreement(s) signed with Lockwood, LCM, Manager(s), and Pershing. Clients should also review Lockwood's, LCM's, and Managers' Form ADV Part II and Schedule H for specific descriptions of their brokerage practices and wrap fee programs.

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

TSA Management Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets).

Item 7— Types of Clients

TSA Management Inc. may provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

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

Principal Investment Strategies

TSA Portfolio Management, Inc. investment advisors provide investment advice concerning a wide variety of securities. Included in the kinds of securities are shares of open-end investment companies (mutual funds), stocks, bonds and ETFs. TSA frequently utilizes money market funds. Besides fees and expenses charges by TSA, assets invested in shares of a mutual fund will be subject to other fees and expenses, described in the fund's prospectus, which are paid by those funds but are ultimately borne by you as a shareholder. In the event that TSA recommends the investment of your assets in such funds, fund fees and expenses will not reduce TSA's advisory fees imposed on the same asset.

Based on the portfolio model, the objective can range widely. Portfolios with 100% exposure to stock market investments are geared towards long-term growth of capital. Portfolios with a 100% exposure to conservative investments such as bonds, bond funds and Treasuries are geared toward preservation of capital. Rationally, the models with less exposure to stock market investments are more conservative in nature. A guiding principle is the consideration of purchasing an individual stock/bond or stock/bond fund – we view each company as a company we would like to own independently. The balance sheet and earnings history are extremely important in our selection. While the portfolio primarily invests in U.S. companies, we do have holdings in foreign stocks and bonds. The portfolios may invest in stocks/bonds with micro to large market capitalization. TSA fires investments that vary from their objective, i.e. small company growth, large cap value, etc. Routinely, TSA eliminates the stocks or bonds when the company shows deteriorating fundamentals and its earnings progress falls short of the investment adviser's expectations to name a few.

TSA does not change the allocation of the portfolio model without your consent. For example, if a client is in the "Equity 60 Model," the exposure to stocks or common stock funds will remain at 60%. TSA does not market time.

Principal Risks

- **Market Risk.** This is the risk that the value of the portfolio's investments will fluctuate as the stock markets fluctuate and those prices overall will decline,

perhaps severely, over short-term or long-term periods. You may lose money by investing in a fund or stock Fund.

- **Growth Investing Risk.** TSA invests in companies and funds that pursue the highest potential growth opportunities regardless of company size or industry.
- **Value Investing Risk.** Investing in undervalued securities involves the risks that such securities may never reach their expected market value, either because the market fails to recognize a security's worth or their value was misgauged. Such securities may decline in value even though they are already undervalued.
- **Selection Risk:** TSA purchases investments on your behalf. Investments represent ownership/obligations in certain companies. Over time, the market value of a company should reflect the success or failure of the company issuing the security.
- **Foreign (Non-U.S.) Risk.** This is the risk that the value of the Portfolio's investments in securities of foreign issuers will be affected adversely by foreign economic, social and political conditions and developments or by the application of foreign legal, regulatory, accounting and auditing standards or foreign taxation policies or by currency fluctuations and controls. The risks to the Portfolio and, therefore, to your investment in the Portfolio of investing in foreign securities include expropriation, settlement difficulties, market illiquidity and higher transaction costs. The prices of foreign securities may move in a different direction than the prices of U.S. securities. In addition, the prices of foreign securities may be more volatile than the prices of U.S. securities.
- **Smaller Capitalization Risk.** Smaller capitalization companies may be engaged in business within a narrow geographic region, be less well known to the investment community and have more volatile share prices. These companies often lack management depth and have narrower market penetrations, less diverse product lines and fewer resources than larger companies. Moreover, the securities of such companies often have less market liquidity and, as a result, their stock prices often react more strongly to changes in the marketplace.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds or bond funds become less attractive, causing their market values to decline.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. It carries a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations in

good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

- **Fixed income Risk:** Portfolios that invest in fixed income securities are subject to several general risks including interest rate risk, credit risk, and market risk which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.
- **High-yield fixed-income Securities Risk:** Investments in high-yielding, noninvestment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.
- **Diversification Risk:** Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments including the potential for greater volatility.
- **Risks of Investing in a TSA Portfolio.** Performance of individual stocks/bonds/securities can vary widely. The investment decisions of the TSA's investment advisers may cause the Portfolio to underperform other investments or benchmark indices. The Portfolio may also underperform other similar investment strategies. The Portfolios investment advisers may be incorrect in an assessment of a particular mutual fund or company, or the investment advisers may not buy chosen securities at the lowest possible prices or sell securities at the highest possible prices. As with any portfolio, there can be no guarantee that the Portfolio will achieve its investment goals.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Investing in securities involves risk of loss that you should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of TSA Management Inc. or the integrity of TSA Management Inc.'s management. TSA Management Inc. has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

TSA directs the execution of certain securities transactions for accounts managed by TSA through HRC, an affiliated broker dealer. Certain employees and/or associated persons of TSA are also registered representatives and employees of HRC. Shareholders of TSA are also shareholders of HRC. We are aware that this situation could result in potential conflicts of interest between us and our clients, but believe we have addressed this concern

in the monitoring and disclosure requirements imposed in our Code of Ethics, discussed in Item 11, below.

In addition, certain TSA employees and/or associated persons are also insurance agents of various insurance companies. Such individuals are also sub agents of Halliday Research Corp., (dba Halliday Life and Health) a licensed insurance agent and an affiliate of both TSA and HRC. Certain TSA employees and/or associated persons may spend as much as 60% of their time with these other activities, which involve business activities other than providing investment advice. However TSA does not recommend insurance products to its TSA clients, even when their investment advisor also sells insurance products.

HRC, an affiliated broker dealer of TSA, has a clearing agreement with Pershing, Division of Donaldson Lufkin & Jenrette Securities Corporation, Inc. ("Pershing"). You are not obligated to use HRC (including Pershing) as the broker dealer or custodian for transactions and may request the use of another broker dealer or custodian. While this clearing agreement has no impact upon the investment advice provided by TSA to you, TSA does receive economic benefits as a result of this clearing agreement. These benefits include: receipt of duplicate confirmations; access to a special trading desk; ability to have investment advisory fees deducted directly from your accounts; access, for a fee, to an electronic communication network for order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher initial investments or are generally available only to institutional investors. In addition, HRC may receive from Pershing a portion of the transaction fees charged by Pershing to you. The benefits received by TSA and its clients from Pershing do not depend upon the volume of transactions directed through Pershing.

Brokerage commissions and Transaction Fees: These are costs associated with the execution of trades placed in the account. Pershing may receive compensation from some of these commissions and fees. HRC may receive from Pershing a portion of these transaction commissions and fees.

TSA has the right to reject any such broker dealer suggested by you if, in TSA's sole discretion, such broker dealer may not provide execution, custody or other services at the same level as HRC and Pershing.

TSA also participates in the Charles Schwab (Schwab Institutional) program. While there is no linkage between investment advice provided by TSA and participation in the SI program, economic benefits are received as a result of participation in the SI program. Schwab also makes available to TSA other products and services that benefit TSA but may not benefit its clients accounts. Some of these other products and services assist TSA in managing and administering these accounts. These include software and other technology that provide access to your account data (such as trade confirmations and account statements); facilitate trade execution and allocation of aggregated trade orders for multiple your accounts; provide research, pricing information and other market data; facilitate payment of TSA's fees from its clients accounts; and assist with back-office functions, recordkeeping and your reporting. Many of these services generally may be used

to service all or a substantial number of TSA's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to TSA other services intended to help TSA manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to TSA by independent third parties. Schwab Institutional 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 TSA. While as a fiduciary, TSA endeavors to act in its clients best interests, and TSA's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to TSA of the availability of some of the foregoing products and services 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.

Item 11 – Code of Ethics

TSA Management Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of your information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures among other things. All supervised persons at TSA Management Inc. must acknowledge the terms of the Code of Ethics annually or as amended.

TSA Management Inc.'s employees and persons associated with TSA Management Inc. are required to follow TSA Management Inc.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of TSA Management Inc. and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for TSA Management Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of TSA Management Inc. 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of TSA Management Inc.'s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to you trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, therefore creating the possibility those employees might benefit from market activity by you in a security held by an employee. TSA Management Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Rachel Pino.

Personal Trading

The Chief Compliance Officer of TSA Management is Rachel Pino. She reviews employee trades each quarter. Her trades are reviewed by Denis Moynihan. These reviews help ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are typically small in the number of shares, the trades do not affect the securities markets.

Item 12 – Brokerage Practices

TSA Management Inc. does not maintain custody of your assets that we manage; although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker dealer or bank. We recommend that you use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, or Pershing LLC, member FINRA, NYSE and SIPC, a subsidiary of The Bank of New York Mellon Corporation as the qualified custodian. We are independently owned and operated and are not affiliates with either company. Schwab or Pershing will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or Pershing as custodian/broker, you will decide whether to do so and will open your account with Schwab or Pershing by entering into an account agreement directly with them.

It is TSA Management Inc.’s policy that the firm will not affect any principal or agency cross securities transactions for you accounts. TSA Management Inc. will also not cross trades between you accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory you. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another in your account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory you and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with TSA Management Inc.'s obligation of best execution. In such circumstances, the affiliated and your accounts will share commission costs equally and receive securities at a total average price. TSA Management Inc. will retain records of the trade order (specifying each participating account) and its allocation which will be

completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Selecting Brokerage Firms:

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear, and settle trades (buys and sells securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs) etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

Item 13 – Review of Accounts

Your account is reviewed on a continuous and on-going basis to ensure that each security or asset allocation is suitable for the account based on the information you provided us. More frequent reviews will be triggered by material changes in variables including but not limited to your individual circumstances, product underperformance, style change, and market conditions. At least annually, we will request in writing that you update your Investment Advisor with any changes to your financial status, investment objectives, risk tolerance or other important information. Other conditions that may trigger a review are changes in the securities laws, new investment information and changes in your own situation.

Regular Reports

You will receive periodic reports directly from your custodian on a monthly basis. These written reports include details of your trades, account balances, portfolio performance, dividends, contributions and withdrawals, and fees and charges. You should contact the

Chief Compliance Officer of TSA immediately if you notice major inconsistencies in your reports or do not receive a report.

Item 14 – Client Referrals and Other Compensation

Not applicable. We do not have a solicitor's agreement in place.

Item 15 – Custody

You should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. TSA Management Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.

Item 16 – Investment Discretion

Discretionary Authority for Trading

Please see "Types of Agreements".

Limited Power of Attorney

Our Discretionary advisory agreement contains a limited power of attorney clause. You sign a limited power of attorney so that TSA may execute it feels are suitable for your account.

TSA Management Inc. usually receives discretionary authority from you at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular you account.

When selecting securities and determining amounts, TSA Management Inc. observes the investment policies, limitations and restrictions of the account for which it advises. For registered investment companies, TSA Management Inc.'s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to TSA Management Inc. in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, TSA Management Inc. does not have any authority to and does not vote proxies on behalf of advisory accounts. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. TSA Management Inc. may provide advice to you regarding the voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about TSA Management Inc.'s financial condition. TSA Management Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to you, and has not been the subject of a bankruptcy proceeding.