

Mariner Investment Advisors LLC

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This brochure provides information about the qualifications and business practices of Mariners Investment Advisors LLC (the “Firm”). If you have any questions about the contents of this brochure, please contact us at 949-341-0000 or bbedritis@aequitascapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training. Additional information about the Firm is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Material Changes

This brochure dated September 16, 2013 is a new document prepared in connection with our initial registration filing with the SEC. In the future, this Item will discuss only specific material changes that are made to the brochure and will provide clients with a summary of those changes. We will also reference the date of our last annual update of our brochure.

Item 3 Table of Contents

Page

Item 1 Cover Page	1
Item 2 Material Changes	2
Item 3 Table of Contents	3
Item 4 Advisory Business	4
Item 5 Fees and Compensation	5
Item 6 Performance-Based Fees and Side-By-Side Management	6
Item 7 Types of Clients	7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 Disciplinary Information	9
Item 10 Other Financial Industry Activities and Affiliations	9
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ...	10
Item 12 Brokerage Practices	11
Item 13 Review of Accounts	14
Item 14 Client Referrals and Other Compensation	14
Item 15 Custody	17
Item 16 Investment Discretion	17
Item 17 Voting Client Securities	17
Item 18 Financial Information	18

Item 4 Advisory Business

Mariner Investment Advisors LLC is an investment adviser with its principal place of business located at 15 Enterprise, Suite 450, Aliso Viejo, CA 92656. Mariner Investment Advisors LLC was formed in 2013.

Listed below are the firm's principal shareholders (i.e. those individuals and/or entities controlling 25% or more of this company):

- Aspen Grove Equity Solutions, LLC
- Garrett T. Waters, Chief Executive Officer
- Eric C. Leake, Chief Investment Officer

Mariner Investment Advisors LLC intends to offer the following advisory services to our clients:

INDIVIDUAL PORTFOLIO MANAGEMENT

The Firm will provide continuous asset management of client funds based on the individual needs of the client. Through personal discussions, in which goals and objectives based on the client's particular circumstances are established, we will develop each client's personal investment policy. We will create and manage a portfolio based on that personal investment policy. During our information-gathering process, we will determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

We will manage these advisory accounts on a discretionary basis. Account supervision will be guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients will be able to impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio is established, we will review the portfolio monthly. If necessary, we will rebalance the portfolio based on the client's individual needs following the monthly review, but no less frequently than annually.

Our investment recommendations will not be limited to any specific product or service and will generally include advice regarding the following types of securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities
- Commercial paper
- Certificates of deposit

- Municipal securities
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate, including private REITs
- Interests in partnerships investing in other private investment partnerships, e.g. hedge fund of funds
- Interests in other pooled investment vehicles, e.g. mutual funds

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

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. contact each client on a regular basis to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
2. be reasonably available to consult with the client; and
3. maintain client suitability information in each client's file.

AMOUNT OF MANAGED ASSETS

We expect to have more than \$100,000,000 of discretionary assets under management within 120 days of our registration with the SEC.

Item 5 Fees and Compensation

PORTFOLIO MANAGEMENT SERVICES FEES

Our fees for the investment advisory services will be based upon a percentage of assets under management according to the schedule below.

Assets under Management Annual Fee (%) Progressive Schedule

Under \$1 million	1.20%
\$1 million - \$3 million	0.85%
\$3 million - \$8 million	0.80%
\$8 million - \$20 million	0.75%

Advisory fees will be initially deducted from a client's custodial account(s) within 15 days after the initial account setup or as additions are made to the account(s), then subsequently at the beginning of each calendar quarter. Our fees will be billed quarterly, in advance, based on the custodial value of the client's account at the end of the previous calendar quarter multiplied by

one-quarter of the applicable annual percentage rate. In the event of a reduction of account assets during a calendar quarter representing substantially all of the accounts' assets, a prorated refund of prepaid advisory fees shall be returned to the client. The amount of any refund will be calculated by dividing the most recent advisory fee paid by the total number of days in the current quarter and multiplying that figure by the number of calendar days remaining in the quarter following the date of reduction. In general, fees will be automatically debited from a client's custodial account. Clients, however, will be able to request to be invoiced for fees instead.

The fee schedules noted above will apply to all assets under the Firm's management, including any assets invested in securities of mutual funds managed by our affiliates. With respect to any such securities, the Firm, together with its affiliates, will ultimately receive two sets of advisory fees on those assets, one based on the fee schedule noted above and one at the mutual fund level, and thus the Firm has a conflict of interest when recommending those types of securities to you.

Limited Negotiability of Advisory Fees: Although the Firm has established the above fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client; assets to be placed under management; anticipated future additional assets under management; related accounts; portfolio style; and account composition, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We will generally have a minimum account requirement of \$500,000, but we may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the advisory fee. We may waive minimum account requirements, in our sole discretion.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of our Firm.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 60 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. In calculating a client's reimbursement of fees, we will determine the amount to be prorated according to the number of days remaining in the billing period.

Mutual Fund Fees: All fees paid to the Firm for investment advisory services will be separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses will be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client will have to pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client

would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which funds are most appropriate to each client's financial condition and objectives. Accordingly, we will advise the clients to review both the fees charged by the funds and our fees to fully understand the total amount of fees and to thereby evaluate the advisory services being provided.

Private Investment Fund Fees: Clients should also be aware that private investment vehicles selected by the client for investments also charge separate management fees that are in addition to the Firm's advisory fees. Accordingly, the client should review both the fees charged by the private investment vehicles and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients will also be responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information that may be relevant to this discussion of fees.

Limited Prepayment of Fees: Under no circumstances will we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Conflicts of Interest: Management personnel and other related persons of our firm are licensed as registered representatives of an affiliated investment adviser, Anchor Capital Management ("Anchor Capital"). In their separate capacities, these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation. This may present a conflict of interest to the extent that these individuals may recommend that a client invest in a mutual fund advised by Anchor Capital. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any such recommendations is solely at the discretion of the client.

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

The Firm does not charge performance-based fees although it may recommend pooled investment vehicles that do.

Item 7 - Types of Clients

The Firm intends to provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

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

METHODS OF ANALYSIS

We will use the following methods of analysis in formulating our investment advice and/or managing client assets:

Third-Party Money Manager Analysis. We will examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine whether the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We will monitor the manager's underlying holdings, strategies, concentrations, and leverage as part of our overall periodic risk assessment.

A risk of investing in a fund managed by a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund managed by a third-party manager, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less attractive investment for our clients. Moreover, as we do not control the third-party manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

Asset Allocation. Rather than focusing primarily on securities selection, we will attempt to identify an appropriate ratio of equity securities, fixed income securities, and cash suitable to the client's investment goals and risk tolerance.

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

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

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

Technical Analysis. We will analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

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

Charting. In this type of technical analysis, we will review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Cyclical Analysis. In this type of technical analysis, we will measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Risks for all forms of analysis. Our securities analysis methods will rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We may use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Typically our equity transactions will be based on the recommendation of our portfolio managers who provide their expertise in developing our equity platform.

Long-term purchases. We will purchase securities with the idea of holding them in the client's account for a year or longer. Typically we will employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we will purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

Trading. We may purchase securities with the idea of selling them very quickly (typically within 30 days or less) based on the recommendation of our selected equity managers. This is done in an attempt to take advantage of our predictions of brief price swings.

Utilizing a Trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we will be generally left with only the following two options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to take a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

Clients for whom the Firm recommends alternative investments such as private REITS, leasing programs and private investment funds should be aware that these types of investments expose the client to heightened levels of liquidity, credit, interest rate, and counterparty risks.

- *Liquidity Risk.* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Counterparty and Credit Risk.* Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions, which may result in losses to the client based on the counterparty's unwillingness or inability to meet its obligations.
- *Interest-Rate Risk.* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Item 9 - Disciplinary Information

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

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

Employees of the Firm, including management personnel, may be separately licensed as registered representatives of Anchor Capital, an affiliated SEC-registered investment adviser. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

The advisory services offered by Anchor Capital are generally distinct from those offered by the Firm and any direct advisory services rendered by Anchor Capital to an the Firm advisory client are provided for separate compensation. Anchor Capital's advisory services and mutual fund securities may be recommended to our clients for whom it is appropriate. If the Firm recommends the services or products of Anchor Capital, the client will not pay advisory fees to the Firm and Anchor Capital on the same assets. There will be no referral fee arrangements between our firm and Anchor Capital. No the Firm client is obligated to use Anchor Capital or their services or to implement any of the Firm's advisory recommendations to use Anchor Capital or their services or products.

We may occasionally trade the same or similar securities in client portfolios that are traded by Anchor Capital in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than Anchor Capital depending on the order of trade execution, the type of security traded, and the broker-dealer used.

While the Firm and its affiliated investment advisers endeavor not to share their portfolio management recommendations amongst one another, such recommendations may, on occasion, be shared with the Firm's affiliated investment advisers, which creates a potential conflict of interest. We have established written policies and procedures that require, in those circumstances, that the Firm treat the advisory clients of any effected affiliated investment adviser on an equal and fair basis with its own clients and vice versa.

Clients should be aware that the receipt of additional compensation by management persons or employees of the Firm, because of their affiliation with other investment advisers, may create a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. These individuals have an incentive to recommend investment products based on the compensation received, rather than the needs of the client or the quality of the investment. The Firm will endeavor at all times to put the interest of its clients first as part of our fiduciary duty as an investment adviser; we take the following steps to address this conflict:

- we will disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we will disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we will collect, maintain, and document accurate, complete and relevant client background information, including the client's financial goals, objectives, and risk tolerance;

- our firm's management will conduct regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we will require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we will periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we will educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code is administered by the firm's Chief Compliance Officer (CCO).

The Firm and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

Our Code includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code also requires the prior approval by the Firm's CCO of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code also provides for oversight, enforcement and recordkeeping provisions.

The Firm's Code further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by emailing bbedritis@aequitascapital.com, or by calling us at 949-341-0000.

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

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts, securities identical to or different from those recommended to our clients. In addition, related persons may have an interest or position in certain securities which may also be recommended to a client.

It is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, thereby preventing such employee from benefiting from transactions placed on behalf of advisory accounts.

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

the Firm has a material financial conflict of interest when it recommends to advisory clients that they invest in mutual funds (e.g., the SCA Absolute Return Fund and the SCA Directional Fund) that are managed by a related person of the Firm (e.g., Genesis) or when it recommends the purchase of securities (e.g., corporate or municipal bonds) to clients and executes those transactions through a related person (e.g., RPC) of the Firm. In both situations, the Firm or a related person of the Firm receives direct or indirect compensation from those recommendations that are in addition to the advisory fees paid to the Firm, which may create an incentive for the Firm to recommend these investments over others that may be more appropriate for clients.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolios where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction in the same security being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval by the CCO for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by the Firm's CCO or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisers.
9. We require delivery to and acknowledgement of the Code by each supervised person of our firm.

10. We have established policies requiring the reporting of Code of Ethics violations to our CCO.
11. Any individual who violates any of the above restrictions may be subject to termination.

Item 12 Brokerage Practices

The Firm does not expect to have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid. Advisory clients will be responsible for selecting the custodian(s) to maintain their funds and securities. Where a custodian is selected that is a broker-dealer and no prime brokerage arrangement exists, the Firm will place all non-fixed income brokerage orders with the custodial broker-dealer for execution.

Clients should be aware that when they select a custodial broker-dealer, the Firm will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients who utilize a different custodial broker-dealer.

For clients in need of custodial services, we may recommend the use of one of several brokers (including, but not limited to TD Ameritrade, Sterling Trust Company, Schwab Institutional, etc.), based on client circumstances and needs, provided that such recommendation is consistent with our firm's fiduciary duty to the client. The Firm has evaluated these broker-dealers and believes that they provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients. Our clients must evaluate these brokers before opening an account. The factors considered by the Firm when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. Clients will not be under any obligation to select a custodial broker dealer recommended by the Firm. However, the Firm reserves the right to decline the acceptance of any client account, for which the client directs us to use a broker other than the brokers listed above, if we believe that the choice would hinder our ability to fulfill our fiduciary duty to the client and/or our ability to service the account.

The Firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment advisors, which include custody of securities, trade execution, clearance, and settlement of transactions. the Firm receives some benefits from TD Ameritrade through its participation in the program. the Firm also participates in the Schwab Institutional ("SI") services program offered to independent investment advisers by Charles Schwab & Company, Inc., a SEC-registered broker-dealer.

Clients should note, while the Firm has a reasonable belief that recommended custodial broker-dealers are able to obtain best execution and competitive prices, our firm will not independently seek best execution price capability through other brokers when a client has a selected a

custodial broker-dealer. Not all advisers require their clients to direct them to use a particular broker-dealer.

The Firm will place block trades where possible and when advantageous to clients. Block trading, where orders for the purchase or sale of securities for multiple client accounts are aggregated, is permitted by the Firm so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block order.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. the Firm will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. the Firm's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with the Firm, or our firm's order allocation policy.
2. The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable the Firm to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution is considered achieved when the client obtains the best overall qualitative execution and not necessarily the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made. In most cases, adjustments will be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, however, transaction costs may instead be based on the number of shares traded for such client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the CCO no later than the morning following the execution of the aggregate trade.

8. The Firm's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on the Firm's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. The Firm may recommend TD Ameritrade to clients for custody and brokerage services. The Firm receives some benefits from TD Ameritrade through our participation in the program that are typically not available to TD Ameritrade retail investors. There is, however, no direct link between our firm's participation in the program and the investment advice or other recommendations that we give to our clients. These benefits include the following products and services (provided without cost or at a discount): duplicate client confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by the Firm's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for the personnel to attend conferences or meetings relating to the program or to TD Ameritrade's adviser custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit the Firm but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by the Firm through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by the Firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

The Firm participates in Charles Schwab & Co.'s SI program. While there is no direct linkage between the investment advice given and participation in the SI program, economic benefits may be received which would not be received if the Firm did not give investment advice to clients. These benefits may include any or all of the following: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving SI program participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access, for a fee, to an electronic

communication network for client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

Item 13 - Review of Accounts

PORTFOLIO MANAGEMENT SERVICES

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, a more formal review of these accounts will be performed at least quarterly. Accounts will be reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients may receive from their broker-dealer custodian, the Firm will provide monthly portfolio summaries which provide account performance and balance information.

Item 14 - Client Referrals and Other Compensation

CLIENT REFERRALS

The Firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the advisory fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

TD Ameritrade AdvisorDirect Program

In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, the Firm may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with the Firm and there is no employee or agency relationship between them. TD Ameritrade has

established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise the Firm and has no responsibility for the Firm's management of client portfolios or the Firm's other advice or services. The Firm pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to the Firm ("Solicitation Fee"). the Firm will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by the Firm from any of a referred client's family members, including a spouse, child, or any other immediate family member who resides with the referred client and hired the Firm on the recommendation of such referred client. the Firm will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

The Firm's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, the Firm may have an incentive to recommend to clients that the assets under management by the Firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, the Firm has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. The Firm's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Schwab Advisor Network Service

The Firm has entered into an agreement with Charles Schwab & Co., Inc. ("Schwab"), an independent and unaffiliated broker-dealer, to participate in the Schwab Advisor Network Service (the "Service"), an adviser referral service designed to help investors find an independent professional investment manager in their area. the Firm has agreed to pay Schwab an ongoing referral fee on all accounts participating in the Service that are maintained in custody at Schwab, as well as a one-time fee for accounts that are transferred from Schwab to another custodian. The Firm has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs the firm charges its advisory clients who were not introduced by the Service and who have similar portfolios under management with the Firm.

The Firm's participation in the Service may raise potential conflicts of interest. Although not required by the Service, advisers participating in the Service are likely to recommend Schwab to their advisory clients referred through the Service for the execution of securities transactions. The Firm acknowledges its duty to inform clients of the basis of its recommendation of Schwab and other brokerage options.

ADDITIONAL COMPENSATION

The Firm may also receive support service fees from its affiliated investment adviser, Anchor Capital, which serves as the investment adviser to mutual funds and other pooled investment vehicles that are or were recommended to the Firm's advisory clients. These fees are paid to the Firm for providing relationship management and back-office, administrative, and custodial support to the Firm clients that have invested in such mutual funds and other pooled investment vehicles. Please be aware that payment of these fees does not add any additional fees or expenses to fund shareholders.

Anchor Capital shares office space with the Firm and have an expense sharing agreement that allows them to reimburse the Firm for various ongoing shared expenses such as rent, administrative services, and office supplies.

As disclosed under Item 12 above, the Firm participates in TD Ameritrade's institutional customer program and Charles Schwab & Co.'s SI program. Please see our disclosure in that section regarding the economic benefits that the Firm receives as a result of participating in TD Ameritrade's institutional customer program and Charles Schwab & Co.'s SI program. The benefits received through participation in TD Ameritrade's institutional customer and SI program do not depend upon the amount of transactions directed to, or amount of advisory client assets held in custody by Charles Schwab & Co.

While the Firm endeavors at all times to put the interest of its clients first as part of the Firm's fiduciary duty, clients should be aware that the receipt of additional compensation by the Firm or individuals associated with the Firm creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Item 15 - Custody

Our firm directly debits advisory fees from client accounts.

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

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

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a monthly basis. We urge our clients to carefully compare the information provided on these statements with the information contained in custodial account statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual custody of client accounts.

Item 16 - Investment Discretion

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

Our discretionary authority generally includes the ability to do the following without contacting the client:

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

Clients give us discretionary authority when they sign the Firm's Discretionary Investment Adviser Agreement, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 - Voting Client Securities

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies for securities in your account.

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

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting the Firm by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy voting policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of a client in legal proceedings involving companies whose securities are held in their accounts, including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense

against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at 15 Enterprise, Suite 450, Aliso Viejo, CA 92656.

Item 18 - Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual or fiduciary obligations to clients. The Firm has no financial circumstances to report.

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

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