

Pence Capital Management, LLC

ADV Part 2A, Firm Brochure Dated: February 11, 2016

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This brochure provides information about the qualifications and business practices of Pence Capital Management, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (949)-660-8777. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Pence Capital Management, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Pence Capital Management as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

This is Pence Capital Management's initial Form ADV.

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Item 4 Advisory Business

- A. Pence Capital Management, LLC (the “Registrant”) is a limited liability company that was formed on October 20, 2015 in the State of Delaware. The Registrant became registered as an Investment Adviser Firm in December 2015. Eldon Dryden Pence III and Laila Marshall-Pence are the Registrant’s Principal Owners. Eldon Dryden Pence III is the Registrant’s Managing Member.
- B. As discussed below, the Registrant offers to its clients (other investment advisory firms) sub-investment advisory services on a discretionary wrap fee basis. The Registrant may also be engaged to provide investment consulting services on a separate fee basis.

INVESTMENT ADVISORY SERVICES

Clients can determine to engage the Registrant to provide discretionary sub-investment advisory services on a wrap fee basis. If a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client’s particular need.

PENCE CAPITAL WRAP FEE PROGRAM

The Registrant provides investment management services on a wrap fee basis in accordance with the Registrant’s investment management wrap fee program (the “Program”). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, the Registrant is able to offer participants discretionary investment management services for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and the Registrant’s investment management fees. However, clients may incur additional fees as set forth below. The current annual Program fee ranges from 1.35% to negotiable, depending upon the amount and type of the Program assets. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. All prospective Program participants should read both the Registrant’s Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program.

Please Note: As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by the Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Unified Managed Accounts. In conjunction with the Registrant’s investment management services, the Registrant sponsors Unified Managed Accounts (“UMAs”) (a professionally managed private investment account that is rebalanced when deemed

appropriate and can encompass various investment vehicles including, but not limited to mutual funds, stocks, bonds, exchange traded funds (“ETFs”), separately managed accounts, non-public REITs, all in a single account). As the sponsor for the UMA, the Registrant is responsible for portfolio trading, re-balancing, reporting and other administrative responsibilities.

Separately Managed Accounts. The Registrant may also advise Separately Managed Accounts (“SMAs”) (accounts managed by an independent manager). When engaged as an investment manager for an SMA, the Registrant has the authority to direct trading activity within the account according to the SMA’s investment objective. SMAs generally allow for tax control of individual positions and the ability to block or restrict certain types of securities from purchase (i.e. tobacco, alcohol etc.). However, unlike UMAs, each SMA requires its own custodial account.

INVESTMENT CONSULTING SERVICES

The Registrant may provide consulting services on a separate fee basis. Specifically, the Registrant may be engaged to structure or design investment strategies for Unit Investment Trusts (“UITs”). Clients will be responsible for the direct use of the UITs and the management of underlying client assets. The Registrant’s consulting services are limited to the structure or design of each UIT and do not include a periodic review of performance. Accordingly, the client (and/or the investment professionals engaged by the client with respect to such assets), and **not** the Registrant, shall be exclusively responsible for the investment management of these assets, regardless of whether the Registrant includes the assets on any account reports that it may provide to the client.

The Registrant may also be engaged to structure or design investment strategies for SMAs. Clients will be responsible for the direct use of the SMAs and the management of underlying client assets. However, when engaged to provide consulting services regarding SMAs, the Registrant will be responsible for the recommendation of changes within the SMA as well as prompting reallocations. The Registrant shall not have the authority to execute any transactions within the SMA and as such the client, and **not** the Registrant, shall be exclusively responsible for the investment management of these assets, regardless of whether the Registrant includes these assets on any account report that may be provided to the client.

MISCELLANEOUS

Independent Managers. The Registrant may allocate a portion of a client’s investment assets among unaffiliated independent investment managers in accordance with the client’s designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending Independent Manager(s) include management style, performance, reputation, financial strength, reporting, pricing, research, and the client’s designated investment objective(s).

Separately Managed Account Programs. The Registrant may allocate a portion of a client’s investment assets among unaffiliated Separately Managed Account programs in accordance with the client’s designated investment objective(s). In such situations, the

Separately Managed Account Manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending Separately Managed Account programs include the client's designated investment objective(s) as applied to the Separately Managed Account program: management style, performance, reputation, financial strength, reporting, pricing, and research.

Please Note: Cash Positions. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee.

Fee Differentials. As indicated below, the Registrant shall price its services based upon various objective and subjective factors. As a result, the Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

Client Obligations. In performing its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains its responsibility to promptly notify the Registrant if there is ever any change in an underlying client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising the Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Sub-Advisory Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will obtain the underlying client's investment objective from the client. Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant sponsors a wrap fee program. If a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (**See** Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need. **Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.

- E. As of February 11, 2016, the Registrant had \$0 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

A.

INVESTMENT ADVISORY SERVICES

Clients can engage the Registrant to provide discretionary sub-investment advisory services on a wrap fee basis. The Registrant's annual Program fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management. The Registrant's annual Program fee shall generally be between 1.35% and negotiable. The Registrant's annual Program fee shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Registrant's direct management, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. (See also Fee Differential discussion above.)

INVESTMENT CONSULTING SERVICES

The Registrant's investment consulting fees are typically based upon the value of the assets that a client directs to a UIT and/or SMA structured or designed by the Registrant. The Registrant's consulting fee relating to UITs is generally between 0.50% and negotiable, depending upon the level and scope of the service(s) required and the complexity of the engagement. When engaged to provide consulting services on SMAs the Registrants consulting fee is generally between 0.85% and negotiable.

- B. Clients may elect to have the Registrant's advisory fees deducted from underlying client's custodial accounts. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall generally deduct fees and/or bill clients quarterly in arrears based upon the value of the average daily account balance during the previous quarter.
- C. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). **Please Note:** Clients who engage the Registrant on a wrap fee basis will not incur brokerage commissions and/or transaction fees in addition to the Program fee.
- D. The Registrant's annual investment advisory fee shall be pro-rated and paid quarterly, in arrears, based upon the value of the average daily account balance during the previous quarter. The *Sub-Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Sub-Advisory Agreement*. Upon termination, the Registrant shall debit any earned and unpaid advisory fee due based upon the number of days the account was serviced during the final billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include other investment advisory firms. The Registrant, in its sole discretion, may reduce its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
 - Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)
 - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies: Long Term Purchases, Short Term Purchases, and Trading are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend the use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (**See** discussion below).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility

and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various mutual funds, stocks, bonds, ETFs, separately managed accounts, and non-public REITs, on a discretionary basis in accordance with the client's designated investment objective(s). (See Independent Managers above).

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. **Registered Representative of unaffiliated Broker-Dealer.** The Registrant's Managing Member is also a registered representative of an unaffiliated FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Other Investment Adviser Firm: Pence Wealth Management, Inc.** The Registrant's principal owners, Eldon Dryden Pence III and Laila Marshall-Pence, also own Pence Wealth Management, Inc. ("Pence Wealth"), an affiliated registered investment advisor firm. The Registrant may refer certain clients to Pence Wealth for advisory services. The recommendation by the Registrant that a client engage the investment advisory services of Pence Wealth presents a conflict of interest as the Registrant's Principals may receive a direct economic benefit from any such referral. Furthermore, certain of Registrant's investment adviser representatives are also investment adviser representatives of Pence Wealth. No client is under any obligation to engage the services of Pence Wealth. **The Registrant's Chief Compliance Officer, Llewellyn R. Hayes Jr., remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

Licensed Insurance Agents. Certain of the Registrant's related persons are, in their individual capacities, licensed insurance agents. No client is under any obligation to purchase any commission products from the Registrant's related persons. **The Registrant's Chief Compliance Officer, Llewellyn R. Hayes Jr., remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of the Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of the Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of the Registrant recommends, buys, or sells for client accounts securities in which the Registrant or any related person of the Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of the Registrant's Access Persons.

Item 12 Brokerage Practices

- A. The Registrant does not generally recommend a broker-dealer/custodian for execution and/or custodial services. Prior to engaging the Registrant to provide investment management services, the client will be required to enter into a formal *Sub-Advisory Agreement* with the Registrant setting forth the terms and conditions under which the Registrant shall manage assets designated by the client. The client shall be responsible for ensuring that the Registrant has access and authority to transact through the designated broker-dealer/custodian where the underlying client's assets are held.

The client shall remain responsible for ensuring that the underlying client obtains best execution, noting however that the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness.

The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, the Registrant's investment management fee.

1. Research and Additional Benefits. Although not material, the Registrant may receive from broker-dealer/custodians, without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be available to the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by the Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

The Registrant's clients do not pay more for investment transactions effected and/or assets maintained at any broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by the Registrant to any broker-dealer/custodian or any other entity to direct any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Llewellyn R. Hayes Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.

3. The Registrant does not generally recommend broker-dealer/custodians. Instead, clients are responsible for the selection of a specific broker-dealer. In client-directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer/custodian, and the Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by the Registrant. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs the Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through the Registrant.

The Registrant's Chief Compliance Officer, Llewellyn R. Hayes Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom the Registrant provides investment management services, account reviews are conducted on an ongoing basis by the Registrant's representatives. All clients are advised that it remains their responsibility to advise the Registrant of any changes in the underlying client's investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with their underlying clients and advise the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an economic benefit from broker-dealer/custodians. The Registrant's clients do not pay more for investment transactions effected and/or assets maintained at any specific broker-dealer/custodian as a result of these possible arrangements. There is no corresponding commitment made by the Registrant to any broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result any arrangement.

The Registrant's Chief Compliance Officer, Llewellyn R. Hayes Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, the Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. In addition, the Registrant is deemed to have custody of client assets as per Rule 206(4)-2, and maintains custody in accordance with the Rule requirements. Client assets are maintained with qualified custodians. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute a *Sub-Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote proxies. Clients and/or underlying clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the underlying client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the underlying client's investment assets.
- B. Clients and/or underlying clients will receive their proxies or other solicitations directly from their custodian.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Llewellyn R. Hayes Jr., remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.