



Fourthstone LLC

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This brochure provides information about the qualifications and business practices of Fourthstone LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Fourthstone LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the adviser.

Additional information about Fourthstone LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The Firm's CRD number is 169067.

ITEM 2: MATERIAL CHANGES

Fourthstone LLC

This is the updated brochure for Fourthstone's transition from a registered investment adviser with the State of Missouri to a registered investment adviser with the SEC. Since the last filed in August 2019, Fourthstone has made material changes to this brochure. Fourthstone notes the following changes to this brochure.

- Item 4: Updating amount of Regulatory Assets Under Management that are managed on a discretionary basis.
- Item 9: Reporting no material disciplinary events.

In addition to the changes listed above, investors are encouraged to review this brochure in its entirety. The information set forth in this brochure is qualified in its entirety by the applicable offering and governing documents. In the event of a conflict between the information set forth herein and the applicable offering and governing documents, the information in the applicable offering and governing documents shall control.

Please contact us at (800) 771-8071 or investorrelations@4thstone.com if you would like a copy of our updated Part 2. Additional information about us is also available on the SEC's website at www.adviserinfo.sec.gov.

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ITEM 4: ADVISORY BUSINESS

Who we Are

Fourthstone LLC (referred to as “we,” “our,” “us,” or “Fourthstone”), has been registered as an investment adviser since January 2014. Our officers are L. Phillip Stone, IV, Managing Member and sole owner, Amy Stone, President, and Robin Anderson, Chief Financial Officer and Chief Compliance Officer. For more information regarding the principal owners of Fourthstone, please review Schedule A of Part 1A of our Form ADV.

Services We Offer

We provide investment advisory, management and other services to high net worth individuals and privately offered investment vehicles: Fourthstone Master Opportunity Fund Ltd and Fourthstone QP Opportunity Fund LP (collectively referred to as the “Funds”). We also provide asset management services to our clients on a separately managed account basis (referred to as “you” or “client”). We do not participate in wrap fee programs.

Long/Short Financial Sector Strategy

Fourthstone's long/short financial sector strategy is based on identifying, through extensive research, over and undervalued securities. The strategy is focused on US banks and thrifts and is designed to deliver absolute returns in both up and down markets. It also has the ability to invest in other sectors and outside of the US. The strategy utilizes a combination of buy and hold and short-term trading designed for maximum flexibility in order to perform in both up and down markets. It typically focuses on smaller capitalization companies but has the ability to invest in all market caps. The strategy will primarily invest in publicly-traded securities. Fourthstone will not invest in any private securities that are not registered under the 1933 Act (“Private Securities”). However, Fourthstone may invest in Private Securities of any issuer that it reasonably believes will be registered under the 1933 Act within a reasonable time following the acquisition of such securities (such securities, “Permitted Private Securities”). Fourthstone is responsible for investing the assets of each Fund and separately managed account(s) in accordance with the investment objectives, policies, and guidelines set forth in the relevant investment management agreements and offering and governing documents. Investors in the Funds generally are not permitted to impose restrictions or limitations on the management of the Funds.

Assets Under Management

As of December 31, 2019, we managed assets of \$265,675,383 on a discretionary basis. We did not manage any assets on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

Long/Short Accounts

Typically, we receive both an asset-based fee and a performance-based fee. The asset-based fee is 2% per year, billed in advance on a quarterly basis. The fee is based on the net value of the assets under management as of the last day of the previous calendar quarter.

The performance-based fee is calculated as of December 31 each year. When profits for the current period exceed the unrecovered net losses for prior periods, we will receive a performance-based fee of 20% of the profits generated. Solely for purposes of computing this fee, net profits and net losses include unrealized gains and losses. If you withdraw capital from your account, the performance-based fee for the amount withdrawn will be calculated as of the withdrawal date.

Our fees may be negotiable with a client based on the size of the investment, length of initial commitment and special needs or restrictions.

In order to pay a performance-based fee you must meet certain requirements. New clients must meet one of the following criteria:

- Have a net worth (or together with spouse have a net worth) of at least \$2.1 million, excluding primary residence,
- Have at least \$1,000,000 invested with us.

Our client agreement provides additional qualification standards. Clients with an inception date prior to August 15, 2016, may continue to rely on the standards in place at the inception of the relationship.

All performance-based fees will be charged in a manner that complies with Rule 205-3 of the Investment Advisers Act of 1940, as amended from time to time.

Our Fund clients are the Fourthstone Master Opportunity Fund Ltd (the "Master Fund") and the Fourthstone QP Opportunity Fund LP (the "QP Fund"). The Master Fund has one domestic feeder fund which is Fourthstone Opportunity Fund LP, and one off-shore Feeder Fund which is Fourthstone Offshore Opportunity Fund Ltd. (collectively referred to as the "Feeder Funds").

The Feeder and QP Funds' regular compensation is as described above. The QP Fund and the Feeder Funds have the authority to negotiate and accept the compensation paid by individual investors based on the size of the investment, the length of the initial commitment, and relationships with associated persons. Fourthstone will receive the compensation paid by all investors, either as a fee or an allocation, as decided at its sole discretion.

Incentive allocation and performance-based fee arrangements could create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of the arrangement. In some circumstances, we may receive increased compensation as a result of unrealized appreciation as well as realized gains.

For separately managed accounts, all fees will be payable upon presentation of the Fee Statement.

You may terminate our management of your separate account by providing 30 days written notice. We will prorate the asset-based fees received through the termination date to determine any refund due to you and calculate the performance-based fee due. The performance-based fee due will be offset by any asset-based fee refund due. Any remaining refund will be deposited to the client's account; any remaining amount due will be invoiced to the client. We process refund payments within 30 days of the termination date.

In addition, all clients will incur brokerage and other transaction costs. Clients should review Item 12 of this Brochure for further discussion of our brokerage practices.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We receive a performance-based fee for some separately managed accounts and a related entity receives an incentive allocation for the Funds. Please see Item 5 above for disclosure regarding the conflicts of interest involved in managing assets for an incentive allocation or performance-based fee.

Client accounts are grouped when there is an opportunity to aggregate trades in clients' accounts at the same broker. Trading in Fourthstone client accounts is performed on a rotating schedule of clients or client groups. You may receive a better or worse price for your transactions depending on your place in the rotation and market conditions. Rotating clients should equalize these differences over time.

Allocations may not be capital weighted in every instance due to differences in investment mandates and capital additions and withdrawals. For more information, please see Item 12: Brokerage Practices, Aggregation of Orders. Allocation fairness will be tested after the fact by internal and external compliance personnel to verify if clients receive favorable allocations or preferential trade pricing.

ITEM 7: TYPES OF CLIENTS

We may provide advice to individuals, high net worth individuals, trusts, foundations, businesses, pension or profit-sharing plans, and pooled investment vehicles.

Clients are required to make a minimum investment commitment of \$1 million for our long/short strategy. This minimum may be waived at our sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis & Investment Strategies

Fourthstone typically looks to buy companies which it deems to be under-valued and short companies it deems to be over-valued. The degree by which a company is over or under-valued is determined by using a combination of various quantitative and qualitative metrics such as: price-to-earnings multiple, price- to-tangible book multiple, deposit premium, earnings growth, return on tangible equity, M&A attractiveness, market growth opportunities, level of insider ownership, quality of management, and risk profile. Outside the financial services industry, additional metrics such as the following may be used: free cash flow yield, net cash position,

price-to-sales, defensible market position with sustainable competitive advantages, dynamic products or services, and investor sentiment.

Fourthstone will often invest in companies and sectors deemed “out-of-favor.” We find these areas typically yield the greatest opportunities for significant price appreciation as compelling valuations often accompany poor investor sentiment. We also look to sell short companies of “cult” or “fad” stocks or sectors showing excessive investor optimism.

Investment Risks

Fourthstone utilizes a long/short strategy as a way to minimize volatility. There is no guarantee that we can correctly identify undervalued securities as longs and overvalued securities as shorts. If both longs and shorts move in unanticipated ways, volatility may actually increase and adversely affect performance.

Market Risk: Portfolios will be subject to a significant degree of market risk. Market risk is the risk that a portfolio of securities may be adversely affected by general market movements either directly (to the extent the client is invested in the same direction as the market) or indirectly (to the extent the client is invested opposite of the market's direction). Further, the economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Equity Securities: Fourthstone will invest primarily in equity securities, typically common stock but where deemed appropriate, preferred stock. The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company's success or lack of success through increases or decreases in the value of the company's shares as traded in the public trading market for such shares. Equity securities generally take the form of common stock or preferred stock. Preferred stockholders typically receive greater dividends but may receive less appreciation than common stockholders and may have lesser or greater voting rights as well.

Stock Price Volatility: U.S. and foreign equities markets have experienced tumultuous times in the past reflected in highly volatile market prices for listed securities. Certain factors may have a significant impact on the market price of securities owned by the client, and, consequently, may adversely affect the client's portfolio, such as general economic data, interest rate fluctuations, announcements of technological innovations, developments in patent or other proprietary rights, public concern or perception of issues relating to the safety of products developed by a company, announcements of collaborative partners, issues relating to government regulation, loss or gain of key employees in research and/or operations, fluctuations in the company's operating results, future sales of common stock, analysts' comments, including changes in recommendations, and general market conditions.

Banks and Thrifts: Client portfolios may be highly concentrated in the banking and thrift industry. A client may be further non-diversified in that it may hold larger positions in a smaller number of securities in a single business sector than a diversified account. As a result, the increase or decrease in value of the client's holdings in a single issuer may have a greater impact on the client's net asset value and total return. With a concentrated portfolio, clients could have returns that are significantly more volatile than broad based market indices and more diversified accounts due to market movements of the banking and thrift industry. Economic, legislative or regulatory developments may occur which significantly affect the entire industry. If that were to happen, the client's net asset value could fluctuate more than that of a more diversified account. A number of factors, in addition to general economic conditions, can adversely affect the financial performance and condition of the financial services sectors in which Fourthstone invests, including: governmental regulation, interest rate changes, risk of credit losses, concentration of loans, and rapidly changing industry.

Risks Related to ETFs in General: Fourthstone may invest and trade in exchange-traded funds ("ETFs"), which are baskets of securities that track recognized indexes and trade on an exchange like a stock. An investment in ETFs comprised of publicly traded stocks is subject to the risks that impact the underlying stocks including those described in these Risk Factors. Similarly, an investment in ETFs that track other asset categories is subject to the risks that impact the prices of such categories. In addition, investment techniques such as short selling and margin debt may be used with ETFs, which would expose clients to the risks associated with those investment techniques.

Preferred Stock: Fourthstone may invest in preferred stock which may have characteristics of both debt and equity securities. Dividend payments to preferred stockholders may be suspended or cancelled if the issuer experiences liquidity difficulties and the principal paid for preferred stock is generally subordinate to the debt obligations of the issuer. Consequently, investments in preferred stock carry significant risk of loss of principal.

Futures: Futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, government policies and programs, national and international economic, political, global and weather-related events, including changes in money supply and interest rates. Because the good faith deposits required in futures trading are very low, typically 1-15% of the face value of the contract, the leverage is extremely high, providing the potential for large losses from relatively small price movements. Futures positions also are marked to market daily and variation margin payments, which may be high during volatile periods, must be paid. No assurance can be given that a liquid market will exist for any particular futures contract at any particular time. Many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day.

Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit or trading may be suspended for specified periods during the trading day. Futures contract prices could move to the limit for several consecutive trading days with little or no trading, preventing prompt liquidation of futures positions and potentially subjecting the client to substantial losses. Successful use of futures also is subject to Fourthstone's ability to predict correctly movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to determine the appropriate correlation between the transaction being hedged and the price movements of the futures contract. The CFTC and various exchanges also impose speculative position limits on the number of positions Fourthstone may hold in certain futures, which may affect the client's profitability.

PIPES: Fourthstone has the authority to make limited investments in PIPES (an acronym for “private investments in public entities”) issued by companies (that is, the securities are not registered for resale on a public market). PIPES may take the form of convertible preferred stock, common stock, a mix of common stock and warrants, convertible debt, and structured private equity. PIPES are usually sold at a discount to the current stock valuation or provide features to hedge their risk, including conversion price adjustments, dividends, redemption and warrants. PIPES typically are issued by publicly traded companies that have had short or erratic trading records, often are struggling to maintain trading volume and may be experiencing financial challenges. PIPES are subject to the resale limitations under Rule 144 of the Securities Act of 1933. Upon completion of the private placement of PIPES, there is a specified lock-up period (expected to usually be six to twelve months), after which the issuer announces the transaction to the public and files a resale registration statement with the SEC. This filing enables the investors to resell the securities in the secondary market at market price. The investor makes a profit if the purchase price of the PIPE is less than the public market price at which the PIPE can be sold. As a result, the client will not be able to obtain liquidity for these unregistered securities in which it invests until it is able to sell, exchange or otherwise dispose of the securities.

Use of Margin: Fourthstone is authorized, in its sole discretion, to leverage the client’s investment positions by borrowing funds from securities broker-dealers or banks. Although Fourthstone expects its use of margin will be occasional, any use of margin increases the magnitude of both profits and losses. Margin borrowings are usually from securities broker-dealers and typically are secured by the borrower’s securities and other assets. Under certain circumstances, such a lender may demand an increase in the collateral that secures the borrower’s obligations, and if the borrower were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the borrower’s obligation. If the account were to become subject to liquidation in that manner, it could suffer extremely adverse consequences. In addition, the amount of the account’s borrowings, if any, and the interest rates on those borrowings, which would fluctuate, could have a significant effect on the account’s profitability.

Short Selling: Short sales can, in some circumstances, substantially increase the impact of adverse price movements on the client’s portfolio. A short sale is a sale of a security that the client does not own, in hopes of a decline in the security’s price. To deliver the security to the buyer and complete the sale, the client must borrow the security. To return the security, the client must buy it at the market price at the time of repayment. That price may be less than the price at which the client made its short sale, in which case the client would have made a profit, or it may be more, in which case the client would have suffered a loss. Short sales create the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit.

Emerging Markets: Investing in emerging markets involves a significant amount of market timing. While returns from positive years can be exceptional, failure to exit a particular market in time may result in large losses. Many emerging markets also have limited liquidity which evaporates during times of crisis, making hedging more difficult. There is also some exposure risk due to a lack of hedging techniques available in many emerging markets (e.g., the use of short sale and derivatives instruments for hedging is not always possible). In addition, bonds issued in some emerging markets are below investment grade and are subject to downgrade and even default. This leads to widening of credit spreads and losses in the bond values. Investments in foreign financial markets also present political, regulatory and economic risks which are significant and which may differ in kind and degree from the risks presented by investments in the U.S. financial markets. These may include changes in foreign currency exchange rates or controls, greater price volatility, differences in accounting standards and policies, and in the type and nature of

disclosures required to be provided by foreign issuers, controls on foreign investment, and limitations on repatriation of invested capital.

Small and Medium Capitalization Stocks: Fourthstone may invest in companies with small- to medium- sized market capitalizations. While they may often provide significant potential for appreciation, those stocks (particularly smaller-capitalization stocks) involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium- capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be considered illiquid.

Foreign Investments: To the extent Fourthstone invests in securities in markets outside the U.S. or denominated in currencies other than U.S. dollars, the client will be subject to risks not typically associated with investing in the U.S. These include unfavorable changes in currency exchange rates, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the U.S. or foreign governments, certain foreign or U.S. taxes, and economic or political instability or disruptions in foreign countries. Further, Fourthstone may have access to less information about some non-U.S. companies than it would have about U.S. companies, and financial information may not be subject to standards comparable to those imposed on companies traded in U.S. markets, making the bases for investment decisions less dependable.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situation at all times. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

ITEM 9: DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to an evaluation of Fourthstone’s advisory services or the integrity of management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Fourthstone GP LLC, an affiliated entity, acts as the general partner to Fourthstone Opportunity Fund LP and Fourthstone QP Opportunity Fund LP. One or more of our principals act as Director for Fourthstone Master Opportunity Fund Ltd. and Fourthstone Offshore Opportunity Fund Ltd. Fourthstone Opportunity Fund LP and Fourthstone Offshore Opportunity Fund, Ltd., both pooled investment vehicles, are feeder funds for Fourthstone Master Opportunity Fund, Ltd. We do not recommend or select other investment advisers for our clients nor do we receive any compensation for doing so. Fourthstone and our affiliated persons may hold investments in these funds. These investments in the funds create a conflict of interest because we have an incentive to provide more lucrative investment opportunities to the Funds, than to accounts in which we have no investment. This conflict is addressed by aggregating trades for accounts held at the same custodians. When aggregation of trades is not feasible, an impartial system will be used to decide which will be traded first. Additional information about this practice is provided in Item 6.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Fourthstone has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code is predicated on the principle that Fourthstone owes a fiduciary duty to its clients. The Code is designed to address and avoid potential conflicts of interest, and is applicable to all officers, directors, investors, partners or employees of Fourthstone (collectively, the “Access Persons”). Fourthstone requires its Access Persons to act in its clients’ best interests, abide by all applicable regulations, and avoid any action that is, or could even appear to be, legally or ethically improper.

The Code generally prohibits transactions in most securities held in client account portfolios. In addition, transactions in new issues (IPOs) and private placements or limited offerings require pre-approval from the Chief Compliance Officer. The Code requires periodic reporting of Access Persons’ personal securities transactions and all holdings; places other restrictions on Access Persons’ personal trading; and requires prompt internal reporting of Code violations. Fourthstone endeavors to maintain current and accurate records of all personal securities accounts of its Access Persons in an effort to monitor all such activity. A copy of Fourthstone’s Code is available upon written request.

Certain transactions in which Fourthstone engages may require, for either business or legal requirements, that no Access Person trade in the subject securities for specified time periods. Such securities will appear on a Restricted List that will be circulated to all Access Persons. No Access Person may engage in any sort of trading activity with respect to a security on the Restricted List without obtaining prior written approval from the Chief Compliance Officer.

ITEM 12: BROKERAGE PRACTICES

Selection of Brokers

In selecting brokers to execute portfolio transactions, we make a good faith judgment about which broker would be appropriate. We take into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation):

- the execution capabilities of the broker-dealer;
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis);
- custodial and other services provided by the broker/dealer that are expected to enhance our general portfolio management capabilities;
- the size of the transaction;
- the difficulty of execution;
- the operational facilities of the broker-dealers involved;
- the risk in positioning a block of securities; and
- the quality of the overall brokerage and research services provided by the broker-dealer.

When we select the broker-dealer for a transaction, we may cause you to pay a higher

commission for effecting a transaction than another broker-dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities with respect to you.

Aggregation of Orders

There are occasions on which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for one or more other clients and/or one or more of our associated persons.

Client accounts are grouped when there is an opportunity to aggregate trades in clients' accounts at the same broker. Allocations may not be capital weighted in every instance due to differences in investment mandates and capital additions and withdrawals from client accounts. When we place a block trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging the price of all of the shares traded. Due to the averaging of price over all of the participating accounts, aggregated trades could be either advantageous or disadvantageous. Commission costs are not averaged. You will pay the same commission whether your trade is placed as part of a block or on an individual basis. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

Allocations will be based on cash balances, under/over investment vs. target portfolio, percentage of private securities, and percentage of non-equity securities. Due to the liquidity of certain securities and ability to buy privates, not all portfolios will be 100% alike.

Soft Dollars

Fourthstone does not enter into soft dollar arrangements on behalf of its clients or Funds.

ITEM 13: REVIEW OF ACCOUNTS

On a daily, weekly and quarterly basis, holdings are reviewed by L. Phillip Stone, IV, Managing Member/Portfolio Manager. Reviews include valuation, technical trading, news events and filings such as 10-Qs and 10-Ks, earnings releases, conference calls with management, on-site meetings with management and investor conferences.

Clients will receive a portfolio summary and commentary and account statements at least annually. In addition, investors in the Funds will typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

The Feeder Funds (may) have engaged one or more solicitors to provide investor referrals. These solicitors are paid a portion of the compensation we and the general partner/manager of the Fund earn attributable to the referred investors. To the extent a solicitor is engaged to provide client referrals, an agreement will be entered into that complies with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and relevant state securities laws.

ITEM 15: CUSTODY

As the general partner or director of the funds mentioned in Item 10, affiliated entities are deemed to have custody of the funds' assets. In order to comply with the regulatory requirements, all investors in the funds are provided with audited financials. The audited financial statements are sent to investors within 120 days of the funds' fiscal year-end.

We do not accept custody of our other clients' accounts.

ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing a separately managed account, you are required to provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

All accounts are managed using the investment strategy described in the "Methods of Analysis, Investment Strategies and Risk of Loss" section above. We do not allow clients to limit investments we make that fall within the parameters of the investment strategy described.

ITEM 17: VOTING CLIENT SECURITIES

You may provide authorization for us to vote your proxies as described above for your separately managed account(s), or you may elect to retain the authority to vote the proxies yourself. If you provide us authority to vote proxies, you may provide direction regarding how we vote on any particular proxy solicitation. If you elect to vote proxies for your own account, we will provide guidance if requested.

Mr. Stone is responsible for our decisions on proxy voting. He verifies that the proxies are voted in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot.

You may request a copy of our Proxy Policies and Procedures and/or information about how a proxy was voted at any time.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment of more than \$1,200 in fees per client six months or more in advance. Fourthstone does not have any financial condition that would impair the Firm's ability to meet contractual and fiduciary commitments to its clients.

Lastly, Fourthstone has not been subject to a bankruptcy petition at any time during the past ten years.