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March 26, 2021  
Brochure/ADV Part 2A  
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This brochure provides information about the qualifications and business practices of Three Peaks Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 303-221-9480. 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. Three Peaks Capital Management, LLC is registered with the Securities and Exchange Commission as an investment adviser; please note that registration does not imply a certain level of skill or training.

Additional information about Three Peaks Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Three Peaks Capital Management, LLC is 127402.

## **ITEM 2 - MATERIAL CHANGES**

### **Summary of Material Changes**

This Item requires us to summarize any material changes to our Form ADV Part 2A since our last annual update on February 13, 2020. While we made certain non-material changes throughout the Form, we do not believe that any of these changes were material.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Ashley Shockley, 303-221-9493 or [ashockley@threepeaks.com](mailto:ashockley@threepeaks.com).

We encourage you to read this document in its entirety.

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**A note about the format of this Brochure: The SEC requires us to organize this disclosure document according to specific categories, some of which do not pertain to our business. In such cases, we simply list the required category and state that it does not apply.**

## **ITEM 4 - ADVISORY BUSINESS**

### Background

Three Peaks Capital Management, LLC ("Three Peaks" or the "Firm") has been in business since July 2003, when it became registered as an investment adviser with the U.S. Securities and Exchange Commission. The Firm is 100% owned by Sandy Rufenacht.

### Services

Three Peaks focuses its activities on asset management for clients, including, among others, high net worth individuals, charitable institutions, foundations, endowments, trust accounts, pension plans, corporations and investment companies. Three Peaks organizes its business on its expertise of the high yield market to invest in fixed income and equity securities.

### Separate Account Clients

For individuals and institutions ("separate account clients"), we provide investment advisory services for the assets placed under our supervision. Investment advice is typically furnished on a discretionary basis, where the client authorizes us to make all investment decisions for the account. At your request, we may also provide advisory services on a non-discretionary basis, where we make recommendations to you, but all investment decisions are made by you. You can impose restrictions on investing in certain securities, limits or types of securities. At our discretion, exceptions can be made to the minimum account size. Our advisory services are tailored to meet your individual needs.

### Sub-Advisory Services

In addition to the separate account services described above, we offer advisory and sub-advisory services to mutual funds. Information concerning these funds, including a description of the services to be provided and advisory fees payable to us would be contained in each fund's prospectus.

### Advisory Agreements

All advisory services are provided under the terms of a written advisory agreement between our Firm and the client. The advisory agreement generally permits either the client or Three Peaks to terminate the agreement upon written notice to the other party. In certain cases, specified advance notice of termination may be required pursuant to the advisory agreement.

We do not participate in wrap fee programs.

### Client Assets

As of December 31, 2020, Three Peaks had discretionary authority to manage accounts with assets totaling approximately \$618 million. Three Peaks has no non-discretionary accounts.

## ITEM 5 - FEES AND COMPENSATION

The fees for accounts are based on an annual percentage of assets under management and are applied to the account asset value on a pro-rated basis, billed quarterly in arrears. The first quarterly fee will be based upon the date the account is accepted for management by execution of the advisory agreement by Three Peaks or when the assets are transferred through the last day of the previous calendar quarter. Fees are not assessed on cash in an account for the first sixty days from account opening. Thereafter, the fee will be based on the average assets value calculated on each Friday in the quarter and at month end. During the liquidation of an account, (i.e., the time period between notice of termination of the advisory agreement and the termination of the advisory agreement), fees are not assessed on the cash in an account.

Fees charged will range depending on the complexity and nature of your portfolio. Our annual advisory fee rates range from 0.35% to 0.75%, calculated as a percentage of your assets under management. Advisory fees are negotiated with you, however, and may therefore vary with other clients. Our advisory fee rate is set forth in your advisory agreement.

For comparable services, other investment advisers may charge higher or lower fees than those charged by us.

Quarterly, you will receive an invoice of management fees. You are expected to pay your quarterly management fee to us within 30 days of the invoice. Investment advisory contracts provide termination provisions with or without cause within given stipulated time periods. Upon termination, you are responsible for monitoring the securities in your account, and we, as investment adviser, will have no further obligation to act or advice with respect to those assets.

### Additional Fees and Expenses:

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges typically include brokerage commissions, mark-ups or mark-downs on security transactions, transaction fees, exchange fees, SEC fees, custodial fees, advisory and administrative expenses of any Exchange Traded Funds ("ETFs") purchased for client accounts, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Three Peaks' brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our Firm does not share in any of these additional fees and expenses outlined above.

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

The Company does not charge any performance fees. This item does not apply to our business.

## ITEM 7 - TYPES OF CLIENTS

We offer advice to, high net worth individuals, trusts, charitable organizations, foundations, endowments, investment companies, pension plans and corporations. Although we do not require a specific minimum account size to open or maintain an account, sufficient assets are required to utilize certain of our investment strategies. As necessary, we will determine with the client a minimum amount depending on the client's proposed investment strategy.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Three Peaks' methods of analysis include fundamental, technical and cyclical.

Our investment strategy primarily includes long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days) and new issues. However, due to the nature of the securities markets and relevant market information, we may only hold securities for a very limited period of time, which include the purchase and sale of a security within the same business day. Frequent trading of securities can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

### Investment Philosophy

Our investment philosophy is derived from years of experience operating in the high-yield asset class. By closely monitoring characteristics and trends within companies that not only faced bankruptcy and/or actually defaulted on creditors but also those that used the high-yield market to propel growth and financial strength such that it eventually led to credit rating upgrades to investment-grade status, the investment philosophy has been established. Our goal is to never own a company facing bankruptcy.

### Strategy Overview

Three Peaks' business is designed to leverage our expertise in high yield fixed-income securities in order to provide you with investment choices. Our investment strategies work off our fundamental belief in, understanding of, and passion for the high yield asset category.

Our **High Yield Strategy** emphasizes maximum total return while preserving capital. Following a multi-faceted approach, our investment team strives to add value through intensive fundamental research into individual issuers of debt, active trading, and the ability to capitalize on changes within the market and/or economy. We believe our high-yield strategy is generally perceived as conservative within the high-yield market. As such, we place a heavy emphasis on stability and consistency within the investment process which we believe will provide reasonably stable and less volatile performance throughout various economic and market cycles. We place an extreme importance on the downside protection.

Our **Opportunity Growth Strategy** emphasizes long-term capital appreciation. Bred out of our High Yield Strategy and associated research, we believe our credit-oriented focus is different within the equity market. We attempt to identify anomalies related to a company's fundamentals or ability to become

shareholder-friendly that may be overlooked by the equity market. Similar to our High Yield Strategy, we believe prudent use of a company's balance sheet, accelerating free cash flow generation, and debt-repayment are often beneficial for the equity valuation of a given company. We believe the dual focus (fixed income and traditional equity analytics) actually strengthens and provides balance to our investment process as the fixed-income market and equity market may factor in different variables related to a specific company or industry. There is typically some over-lap between the names owned in our high yield strategy and equity strategy. At times, we can use electronically traded funds (ETFs) to gain market exposure, as well as actively evaluate the overall equity market in an attempt to find equity opportunities that fit our investment criteria.

Our **Diversified Strategy** includes a component of our High Yield Strategy and Opportunity Growth Strategy, in addition to further diversification through the use of US Treasury securities, investment grade bonds, and other equity or equity-like securities, including ETFs. The goal of this strategy is to provide additional diversification across various asset classes at different times throughout the economic/business cycle. The Diversified Strategy utilizes a broader macro view to determine allocations and weightings to various asset classes and individual securities. It is not intended to be as rigid or asset class specific as our High Yield Strategy or Opportunity Growth Strategy, as it takes a more holistic approach to the investment landscape depending on what we believe is occurring in the economy and across the capital markets.

In order to analyze different securities, Three Peaks uses a variety of information including but not limited to, company communications, earnings reviews, models and prospectus reviews. We continue to utilize not only our detailed understanding of balance sheet improvements and bond covenants, but also yield and spread data. Our research and analysis typically include a visit to the companies in the portfolio, and the development of an internal financial model derived from the income statement, balance sheet and cash flow analysis. We focus our research on liquidity, maturity schedules, high yield covenants and de-leveraging.

## Risks

Investing in securities involves risk of loss which clients should be prepared to bear. Our past performance is not a guarantee of future results. Certain market and economic risks exist that may adversely affect an account's performance that could result in capital losses in that client's account.

Because of the inherent risk of loss associated with investing, there are certain additional risks associated when investing in securities through Three Peaks. The following is a description of the principal risks of the portfolios, which may adversely affect its total return. There are other circumstances (including additional risks that are not described here) which could prevent your portfolio from achieving its investment objective.

You should be aware that your account is subject to the following risks:

- **Stock Market Risk** – The value of equity securities and bonds in the portfolios will fluctuate and, as a result, the value of the portfolios may decline suddenly or over a period of time.
- **Managed Portfolio Risk** – The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolios to incur losses.
- **Capitalization Risk** - Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services. Their stocks have historically been more volatile than the stocks of larger, more established companies.
- **Industry Risk** – Investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact performance. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- **Interest Rate Risk** - The value of fixed-income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed-income securities could go down.
- **Credit Risk** - Most fixed-income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.

- **Inflation Risk** - Most fixed-income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed-income securities could go down.
- **Issuer-Specific Risk** - The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. Lower-quality debt securities (those of less than investment-grade quality) and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer. The value of lower-quality debt securities and certain types of other securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market, or economic developments.
- **Exchange-Traded Funds** - ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value".
- **Liquidity Risk** - Liquidity risk exists when particular investments would be difficult to purchase or sell. The lower quality debt securities may be less liquid than the market for higher rated securities, which can adversely affect the prices at which these securities can be sold.
- **Prepayment Risk** - Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to "retire" its debt and issue new bonds that pay a lower rate. When this happens, proceeds from the sale of individual bonds or a bond fund may not be able to be reinvested in an investment with as high a return or yield.
- **Cybersecurity Risk** - In addition to the Material Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at Three Peaks or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

## **ITEM 9 - DISCIPLINARY INFORMATION**

The Company and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

This item does not apply to our business.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### Personal Securities Transactions / Code of Ethics



We have adopted a Code of Ethics and Insider Trading Policy Statement (the “Code”) governing, among other areas, personal trading activities of all members, officers and employees of the Firm (together “Supervised Persons”). Under the Code, Supervised Persons, are prohibited from effecting transactions in reportable securities as defined by the Code with the exception of the Aquila Three Peaks High Income Fund, the Aquila Three Peaks Opportunity Growth Fund or ETFs, without written pre-clearance from the Firm’s Chief Compliance Officer or another individual designated by the Chief Compliance Officer. It is the general policy of Three Peaks to deny pre-clearance and prohibit trading activity in reportable securities by Supervised Persons.

It is our general policy to prohibit trading activity in any reportable security by all Supervised Persons of the Firm except in unusual or compelling circumstances. We permit trading activity in the shares of mutual funds for which we serve as an adviser or sub-adviser and ETFs without obtaining pre-clearance authorization. However, these fund shares are treated as a Reportable Security. Supervised Persons should expect that pre-clearance for their proposed personal securities transactions will ordinarily be denied. The Chief Compliance Officer can deny or revoke pre-clearance for any reason. In no event will pre-clearance be granted for any transaction if we have a buy or sell order pending for that same security or a closely related security (such as an option relating to that security, or a related convertible or exchangeable security). Furthermore, in no event will pre-clearance be granted for any transaction if the purchase or sale of such security is inconsistent with the purposes of the Code of Ethics, the Investment Company Act of 1940 or the Investment Advisers Act of 1940.

Supervised Persons are prohibited from investing in an initial public offering and private placements.

Supervised Persons and all Portfolio Managers are required to report to the Firm’s Chief Compliance Officer initial and annual holdings and quarterly transactions in reportable securities, including the Aquila Three Peaks High Income Fund, the Aquila Three Peaks Opportunity Growth Fund, and ETFs as defined in the Code, and the Chief Compliance Officer is responsible for reviewing such reports. The Code also sets forth general standards of conduct and practices to be followed by all personnel to minimize conflicts of interest, including restrictions on gifts to or from brokers, clients and others, restrictions on service on the boards of other companies, restrictions on participation in investment clubs and policies designed to prevent personal trading conflicts. In addition, the Code (including the Firm’s Insider Trading Policy Statement) includes provisions designed to prevent and enforce the Firm’s strict policy against the misuse of material non-public information by all personnel. The Firm’s Chief Compliance Officer is responsible for the oversight and administration of the Code.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Brochure; attn.: Chief Compliance Officer.

### Ownership Interests of Three Peaks and its Affiliates

We may sometimes recommend you to purchase or sell, or invest on behalf of clients in, securities which may be purchased, sold or held, directly or indirectly, (a) by Three Peaks or its members, officers, employees or other affiliates or (b) by Three Peaks for the account of an investment that the Firm advises or sub-advises and in which Three Peaks itself or its members, managers, officers, employees or other affiliates may have an ownership or other financial interest.

### Investment Allocation Policies

We make decisions to recommend, purchase, sell or hold securities for all of our client accounts, including sub-advised accounts, based on the specific investment objectives, guidelines and restrictions of each account. Certain accounts advised by us may have similar investment objectives, guidelines and restrictions, and we may determine to buy or sell securities on behalf of a number of accounts at or about the same time. We may make recommendations and take action with respect to your account that are the same as or different from the recommendations made or the timing or nature of action taken with respect to other client accounts. We have adopted policies regarding the allocation of securities recommendations and other investment

opportunities among various client accounts with a view toward making such allocations on a fair and equitable basis over time.

Whether and to what extent an advisory account participates in an allocation is based on a number of considerations, including, among others, the account's investment objective, policies and restrictions, its availability of cash balances, tax considerations, the limited quantity of an investment opportunity (*e.g.*, public offerings or private placements) and whether the account already has sufficient holdings of similar securities. Furthermore, participation in an allocation also depends on the eligibility of the client. All clients may not participate in certain types of investments. For example, a client that is a "qualified institutional buyer" ("QIB") as that term is defined under Rule 144A of the Securities Act may participate in Rule 144A securities transactions, while a client that is not a QIB may not. Based on these considerations, each advisory account is generally given the opportunity to participate in potential investments which fall within its investment objective, policies and restrictions on a pro-rata basis, based on the relative asset size of the account. However, each of Three Peaks' advisory accounts is managed on an independent basis and the composition of advisory accounts with similar investment objectives and policies, and the purchase and sale transactions entered into on their behalf, are not identical in most circumstances.

## **ITEM 12 - BROKERAGE PRACTICES**

### When Three Peaks Selects Broker-Dealers

#### Generally

When we have full discretion in the selection of brokers or dealers, we seek to obtain quality execution for security transactions through brokers and dealers who in our opinion are financially responsible. Fixed-income securities are generally purchased from the issuer or a primary market maker acting as principal on a net basis with no brokerage commission paid by the client. Fixed-income securities, as well as equity securities, may also be purchased from underwriters at prices which include underwriting fees.

In the event that our advisory client accounts engage in transactions in unlisted equity securities (including Nasdaq securities), such transactions may be executed through a primary market maker or executed on an Electronic Communication Network (ECN), Alternative Trading System (ATS) or other execution system.

For those clients who grant us discretion to select brokers or dealers, we typically aggregate (or "bunch") multiple account orders into larger blocks for execution. Accounts which participate in such block trades receive the average price of any partial execution of such block trades.

#### Factors in Selection

In selecting a broker or dealer, we take into account relevant factors with respect to liquidity and execution of the order, as well as the amount of the capital commitment by the broker or dealer. Other relevant factors include, without limitation: (a) the execution capabilities of the brokers and/or dealers, (b) the size of the transaction, (c) the difficulty of execution, (d) the operations facilities of the brokers and/or dealers involved, and (e) the risk in positioning a block of securities. Under no circumstances will we consider, in selecting brokers or dealers to execute transactions for client accounts, a broker or dealer's promotion or sale of shares issued by any fund client.

Three Peaks is not a party to any third-party soft dollar arrangements. However, Three Peaks does execute securities transactions with a number of broker-dealers that provide Three Peaks access to proprietary research reports (such as standard investment research and credit reports). To the best of Three Peak's knowledge, these services are generally made available to all institutional investors doing business with such

broker-dealers. These bundled services are made available to Three Peaks on an unsolicited basis and without regard to the rates of commissions charged or paid by Three Peaks or the volume of business Three Peaks directs to such broker-dealers.

Three Peaks can also be invited to participate in and attend seminars and/or meetings sponsored by broker-dealers which execute trades for the Firm. If we accept the invitation, it is our practice and policy to pay for our own travel, lodging and meals. This is consistent with our policy and procedure so as to not create any expectations of or quid pro quo with the sponsor.

### Directed Brokerage

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

### Recommending Brokers

Generally, we do not recommend brokers or dealers to you (apart from choosing the broker dealer where we have discretion to do so, as described above). However, when requested by you, we can recommend or suggest one or more brokers or dealers to you. Any such recommendation will be based on the factors identified above.

### Aggregation of Orders.

Three Peaks may aggregate purchase and sale orders of investments held by Client accounts managed by Three Peaks with similar orders being made simultaneously for other accounts or entities if, in Three Peaks' reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to Clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for Clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities.

Securities purchased or sold in aggregate are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. The Firm may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if the Firm is unable to fully execute a batched transaction and the Firm determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, the Firm may allocate such securities in a manner determined in good faith to be a fair allocation.

## **ITEM 13 - REVIEW OF ACCOUNTS**

Each account is reviewed on a periodic basis. Reviews include, but are not limited to, current market activity, macro or micro economic outlook, review and analysis of individual issuers, portfolio composition, trading activity and performance comparisons. All of the accounts are assigned for review to a Co-Portfolio Manager. Triggering factors for additional reviews include but are not limited to a significant change in the assets, an increase or decrease in the cash balance or a request by the client. Reviews are made by Chief Investment Officer/Co-Portfolio Manager, Sandy Rufenacht; Co-Portfolio Manager, David Battilega and Co-Portfolio Manager/Equities, Zachary Miller.

### Statements and Reports

Three Peaks delivers a monthly report that normally includes information regarding the performance of the account over the previous month and a listing of month-end portfolio holdings. The custodian for the individual client's account will provide clients with an account statement at least quarterly. You will also receive a quarterly management fee invoice and a fee calculation from Three Peaks. You may request and receive more detailed reports in accordance with individual requirements.

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#### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

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We have entered into written referral agreements with third parties by which the third party will, from time to time, refer clients that establish accounts and enter into advisory relationships with us. In such circumstances, we agree to pay the third party a referral fee equal to a percentage of fees received by us from the referred client. The referral fee is split between third parties who have jointly participated in referring a client to Three Peaks. The fee to be paid by Three Peaks will be borne entirely by us and there will be no additional fee, cost or expense to the referred client resulting from the referral agreement. Three Peaks makes disclosure of such referral arrangement, if any, to the client before entering into an advisory agreement. All referral agreements are governed by Rule 206(4)-3 under the Investment Advisers Act of 1940.

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#### **ITEM 15 - CUSTODY**

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Three Peaks does not act as a custodian over the assets in the accounts we manage for our clients. Clients must make their own arrangements for custody of securities in their accounts. Such custodians may be broker/dealers, banks, trust companies or other qualified institutions. The qualified custodian will typically provide the client with at least quarterly account statements relating to the assets held within the account managed by Three Peaks. Three Peaks, however, is not responsible for the actions of a client's custodian. Clients should carefully review account statements received directly from the qualified custodian. We also urge you to compare the account statement you receive from your qualified custodian with the statements provided by us. Any discrepancies identified by a client should be reported to Three Peaks and the qualified custodian.

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#### **ITEM 16 - INVESTMENT DISCRETION**

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Generally, our clients give us investment discretion over assets placed under our supervision.

Prior to engaging Three Peaks to provide investment advisory services, clients enter into a written Agreement with Three Peaks granting the Firm the authority to supervise and direct on an on-going basis investment in accordance with the client's guidelines. Clients will also execute any and all documents required by the Custodian so as to authorize and enable Three Peaks, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your account. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade securities for your account and (2) determine the amount of securities to be bought or sold and (3) place orders with the broker/dealers. Any limitations to such authority will be communicated by you to us in writing.

The limitations on investment and brokerage discretion held by Three Peaks for you are:

1. For discretionary clients, we require that it be provided with authority to determine which securities and the amounts of securities to be bought or sold, as well as the broker-dealer to be used and the commission rates to be paid.
2. Any limitations on this discretionary authority shall be included in this written authority statement. You can change/amend these limitations as required. Such amendments shall be submitted in writing.

### Class Action Suits

Three Peaks is not obligated to, and typically does not take any legal action with regard to class action suits relating to securities purchased by Three Peaks for its clients. Three Peaks provides instructions to custodians and brokers regarding tender offers and rights offerings for securities in client accounts. However, Three Peaks does not provide legal advice to clients and, accordingly, does not determine whether a client should join, opt out of, or otherwise submit a claim with respect to any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client. Three Peaks generally does not have authority to submit claims or elections on behalf of clients in legal proceedings. Should a client, however, wish to retain legal counsel and/or take action regarding any class action suit proceeding, Three Peaks will provide the client or the client's legal counsel with information that may be needed upon the client's reasonable request.

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## **ITEM 17 - VOTING YOUR SECURITIES**

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Three Peaks accepts authority to vote proxies with respect to securities owned by clients.

We have adopted proxy voting policies and procedures with respect to securities owned by our clients for which we have been specifically delegated voting authority and discretion, in accordance with its fiduciary duties and Securities and Exchange Commission Rule 206(4)-6 under the Investment Advisers Act of 1940, which are reasonably designed to ensure that proxies are voted in the best interest of clients.

To facilitate our proxy responsibilities (assuming the client has designated that to Three Peaks), we have contracted with Institutional Shareholder Services, Inc. (ISS) to vote all proxies on our behalf. Prior to any proxy vote, such recommendations are reviewed by one of our Co-Portfolio Managers, with the reasons for any votes that are contrary to ISS recommendations being documented.

The guiding principle by which we review voting on all matters submitted to security holders is the maximization of the ultimate economic value of your holdings. We do not permit voting decisions to be influenced in any matter that is contrary to, or dilutive of, this guiding principle. It is the policy to avoid situations where there is any material conflict of interest or perceived conflict of interest affecting the voting decisions. Any perceived conflict of interest is reviewed by the Chief Compliance Officer.

It is the general policy that we vote on all matters presented to security holders in any Proxy, and these policies and procedures have been designed with that in mind. However, we reserve the right to abstain on any particular vote or otherwise withhold its vote on any matter if in the judgment of Three Peaks, the costs associated with voting such Proxy outweigh the benefits you, or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of you, in our judgment.

Clients delegate to Three Peaks the discretionary power to vote the securities held in their account pursuant to written agreement. Three Peaks does not generally accept any subsequent directions on matters presented to shareholders for a vote, regardless of whether such subsequent directions are from the client itself or a third party. We view the delegation of discretionary voting authority as an "all-or-nothing" choice for our clients.

Upon request, we will provide separately to each client (i) a copy of Three Peak's proxy voting policies and procedures and (ii) details as to how the Firm has voted securities in your account.

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## **ITEM 18 - FINANCIAL INFORMATION**

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We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.