
# Bay Colony Advisory Group, Inc. d/b/a Bay Colony Advisors

## Compliance Manual
## Policies & Procedures

Effective date: March 1st, 2019

CONFIDENTIAL – NOT TO BE DISTRIBUTED OUTSIDE THE FIRM



Using this Manual

Each Supervised Person of Bay Colony Advisory Group, Inc. d/b/a Bay Colony Advisors must read and understand this Compliance Manual and comply with the policies and procedures herein.

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# 1. Compliance Overview

**Overview**
Bay Colony Advisory Group, Inc. d/b/a Bay Colony Advisors ("BCA" or the "Advisor") is an Investment Advisor registered with the United States Securities and Exchange Commission ("SEC") and is subject to applicable federal securities laws under the Investment Adviser's Act of 1940, as amended ("Advisers Act").

Under Advisers Act Rule 206(4)-7, the Advisor must, among other things, adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act. This Compliance Manual Policies & Procedures document (the "Compliance Manual") sets forth the Advisor's policies and procedures for complying with the Advisers Act, and together with the related policies and procedures in the Privacy Policy, Code of Ethics, and Business Continuity Plan form the Advisor's "Compliance Program".

The Advisor will prepare a presentation, along with PowerPoint slides, providing an overview of the Advisor's Compliance Program. The presentation will be given to all Supervised Persons of the firm at least annually, and will also allow the Advisor to establish and reinforce the firms compliance program with all Supervised Persons. Additionally, this presentation will assist in providing an overview of the Advisor at the beginning of any SEC examination process as part of, or even before, the SEC's initial interview process. The Advisor will be able take control of the examination and set a tone of seriousness and professionalism. Topics will include the Advisor's organization, culture of compliance, lines of business, types of investment advisor clients and investment advisory services provided.

The CCO of the Advisor will document all Supervised Persons, as it pertains to their title and Job function, within the Compliance program via the ***Supervised Persons Log***.

This section discusses the Advisor's fiduciary duty to its clients, the roles and responsibilities of the chief compliance officer and supervised persons, the use and enforcement of this Compliance Manual, and the Advisor's process for addressing complaints regarding its Compliance Program.

**Applicable Rules:** Rule 206(4)-7 of the Advisers Act, (the "Compliance Rule"); Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

## A. Fiduciary Duty

Under the Advisers Act an investment advisor has a fiduciary duty to its advisory clients. As a fiduciary, it is the Advisor's responsibility to act in the best interest of clients at all times. The Advisor will never place its interests ahead of any clients' interests.

This duty represents the core of the Advisor's compliance program, including this Compliance Manual and the Advisor's Code of Ethics.

Specific obligations associated with the Advisor include:

- Having a reasonable, independent basis for investment advice.
- Obtaining best execution when implementing the client's transactions where the investment advisor representative has the ability to direct brokerage transactions for the client.
- Ensuring that investment advice is suited to each individual client's objectives, needs, and personal circumstances.
- Maintaining the confidentiality of client information.
- Exercising reasonable care to avoid misleading clients.

- Making full and fair disclosure to the client of all material facts and when a conflict of interest or potential conflict of interest exists.
- Placing client interests first and always acting in good faith.

In addition, the Advisers Act states that it is unlawful for an investment advisor:

- To employ any device, scheme or artifice to defraud a client or prospective client.
- To engage in any transaction, practice or course of business which defrauds or deceives a client or prospective client.
- To knowingly sell any security to or purchase any security from a client when acting as a principal for his or her own account, or knowingly to effect a purchase or sale of a security for a client's account when also acting as a broker for the person on the other side of the transaction, without disclosing to the client in writing before the completion of the transaction the capacity in which the advisor is acting and obtaining the client's consent to the transaction.
- To engage in fraudulent deceptive or manipulative practices.

### B. Role and Responsibilities of Chief Compliance Officer

The Chief Compliance Officer ("CCO") of BCA is Jon Ohl. The CCO is responsible for administering and enforcing the policies and procedures of this Compliance Manual, as well as the Advisor's Compliance Program. However, the CCO is not necessarily a "supervisor" by definition. The CCO may delegate most of their responsibilities to appropriate designees as long as the CCO remains primarily responsible for compliance oversight and administration.

### C. Use And Distribution Of This Manual

A copy of this Compliance Manual is provided to each person subject to the Advisor's Compliance Program ("Supervised Person").This definition includes employees responsible for any advisory activities of the Advisor, including giving advice or soliciting clients ("Advisory Persons"), and also includes employees with access to trading information or client information, including any non-public information regarding the purchase or sale of securities ("Access Persons"). In addition, an electronic copy is posted and stored internally in a location that is accessible by all Supervised Persons.

All Supervised Persons must review this Compliance Manual and sign an annual acknowledgement that they read (as stated under Item 10), understand and will abide by the Advisor's Compliance Manual

### D. Monitoring and Oversight of Activities

The Advisor's Advisory Persons are expected to be aware of and comply with all of the Advisor's policies, whether or not discussed or contained herein. Advisory Persons are responsible for monitoring the activities, individuals and/or service providers supporting business functions in which he or she is responsible. Advisory Persons are expected to prevent, detect and report any activities inconsistent with the Advisor's policies, procedures, and professional standards contained in this Compliance Manual, as revised from time to time.

The Advisor is committed to conducting its business within the letter and spirit of the law by accurately reporting, appropriately disclosing company information and ensuring a safe and effective workplace. The Advisor desires to ensure that deviations from these objectives are reported and addressed appropriately. The Advisor has implemented a process whereby Supervised Person, consultants and service providers may report in good faith any such deviations or any other matters important to the health of the company, directly to the CCO or their delegate.

### E. Amendments

The Compliance Manual is considered a "living document" to be amended from time to time to reflect changes in the Advisor's services, business model, and regulatory requirements. To the extent that the contents of this Compliance Manual becomes materially inaccurate, the CCO is responsible for amending the Compliance Manual and delivering to all Advisory Persons a revised copy with any new material that is added, deleted or amended.

### F. Annual Review

Pursuant to Rule 206(4)-7, the CCO is responsible for performing an annual assessment to determine the adequacy of policies and procedures established in the Compliance Manual and the effectiveness of the implementation of the Compliance Manual. The details and findings of this annual assessment will be captured and archived in the form of a written Annual CCO Report.

### G. Violations

The Advisor regards any violation of the policies and procedures contained or discussed in the Compliance Manual as a serious breach. Supervised Persons who violate any element of the Advisor's compliance program as described in this Compliance Manual may be subject to disciplinary action ranging from counseling to dismissal, depending on the nature and frequency of such violations to be determined by the CCO. Supervised Persons should also be aware that failure to comply with certain elements of the compliance program may constitute a violation of federal and/or state law and may subject the respective individual and the Advisor to federal and/or state criminal or civil liability.

The CCO is responsible for investigating any potential violations, discussing such violations with any individual or service provider believed to have committed a violation and determining an appropriate remedy. Supervised Person, consultants and service providers should inform the CCO of any violations of or deviations from the procedures set forth herein of which they become aware or if they have any reason to believe that the Advisor may not be in compliance with any of the laws, rules, policies or procedures described in the Compliance Manual and/or new laws not contained herein.

### H. Whistleblower Policy

Pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Advisor has adopted this "Whistleblower Policy" to establish procedures for the receipt, review, and retention of complaints relating to violations of the Advisers Act or any other provision of law, rule, order, standard or prohibition prescribed by the SEC or any state securities authority. While the Advisor does not encourage frivolous complaints, the Advisor does expect its officers, employees, and agents to report any potential violations of applicable law, including the policies described in this Compliance Manual, as well as the Advisor's Code of Ethics.

It is the Advisor's policy that its employees may submit complaints of such information on a confidential and anonymous basis without fear of dismissal or retaliation of any kind.

This policy provides a means whereby individuals can safely raise, at a high level, serious concerns and disclose information that an individual believes in good faith relates to violations of the Compliance Manual, Code of Ethics, or applicable law.

**Reporting Persons Protected** – Complaints reported in good faith will not be subject to any retaliation.
**Scope of Complaints** – Internal Supervised Persons and external vendors, consultants, etc. are all encouraged to report suspected wrongdoings.

**Confidentiality of Complaint** – All complaints from internal Supervised Persons reported in good faith will be kept confidential and privileged to the fullest extent permitted by law.

**Submitting Complaints – Complaints must be submitted in writing:**

- An Anonymous Concern Form submission addressed to the CCO with a note that it is confidential and to be opened only by the CCO.
- Persons reporting complaints may request to discuss the complaint with the CCO.
- Complaints may be reported anonymously.
- External vendors, consultants, etc. are not permitted to submit complaints anonymously.

**Investigation of Complaints** – The CCO or delegate will confirm the complaint pertains to a violation by investigating the complaint promptly and document the results.

**Retention of Complaints** – The CCO will keep records of complaints and the results of their investigation.

**Unsubstantiated Allegations** – If the investigation of the complaint submitted in good faith finds no violation, the reporting person will not be subject to retaliation.

**Reporting and Annual Review** – The CCO will include all complaints and any remedial actions taken in the Annual CCO Report.

## 2. Code of Ethics

### A. Overview of the Code of Ethics

The Code of Ethics is a separate policy and procedure document of the Advisor's Compliance Program. Each Supervised Persons of the Advisor must comply with the Advisor's Code of Ethics, which provides a standard of business conduct to be upheld by its Supervised Persons. The standards imposed by the Code of Ethics include reporting requirements and restrictions on the purchase or sale of securities for Supervised Persons determined to be Access Persons with regard to their own accounts and the accounts of certain affiliated persons. The Code of Ethics is a dynamic, distinct document that is distributed to all Supervised Persons, reviewed at least annually by the CCO but also subject to periodic review to consider updates needed to respect changes in the Advisor's business activities, supervised persons, and emerging risks. The Advisor, on an annual basis, must have each Supervised Person read and acknowledge receipt of the Code of Ethics by signing the Code of Ethics certification.

The Code of Ethics includes a thirty (30) day deadline upon hire and at the end of each calendar quarter for Access Persons of the Advisor to deliver their quarterly personal securities information for reportable personal investment accounts in their household. The information required for personal securities reporting is defined in the Advisor's Code of Ethics.

The Code of Ethics has also been adopted in compliance with the requirements of Rule 204A-1 under the Advisers Act to ensure compliance with Federal securities laws.

### B. Supervised Persons vs. Access Persons

"Supervised Persons" are all person(s) subject to the Compliance Program of the Advisor, typically includes all employees of the Advisor, solicitors, and independent contractors.

Formally defined as "any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser."

Rule Reference: Advisers Act Section 202(25)

Any Supervised Person of the Advisor who has access to non-public information about client account holdings or trades, including securities recommendations, are considered "Access Persons" and subject to supervision by the CCO. This includes IARs and the leadership team of the Advisor, such as partners, directors or officers. Additionally, the CCO may designate any other Supervised Persons of the Advisor to be an Access Person and would be subject to additional supervision.

### C. Conflicts of Interest

The Advisor, through its Compliance Program, requires the disclosure of conflicts of interest that its Supervised Persons may have with its clients. This includes all potential and real conflicts that may materially impact a client's decision to conduct business with the Advisor. Conflicts that are disclosed may include any financial interest or compensation received in recommendations made to clients, outside business activities involving supervised persons of the Advisor, and business affiliations involving the Advisor.

### D. Personal Securities Reporting

Personal Securities Holdings and Transaction Reports will be reviewed by the CCO or delegated within a time period specified by the CCO. If a problem or concern is detected, the CCO will immediately take appropriate action on any items that may conflict or potentially cause a conflict with the Code. Documentation of any actions taken, including any resolution or remediation, will be created and maintained as required by the Rule under the direction of the CCO. All reports will be initialed by the CCO after their review is complete.

### E. Outside Business Activities

Supervised Persons of the Advisor that are engaged in employment outside of the Advisor's direct services are required to disclose those activities to the Advisor by providing outside business activity information when they begin employment with the Advisor, or as they arise during the course of employment, in order to determine if any conflict of interest may or may not exist. Some outside business activities must also be disclosed on the Supervised Person's U4 filing on the FINRA IARD system, and their Form ADV Part 2B, if applicable. Outside business activities are disclosed to potential and current clients to address any potential or actual conflicts of interest from the outside employment or activity. Being employed in another business either in a part-time or full-time capacity, serving in a leadership role in another entity, or ownership interest in private investments regardless if it is an investment related position the outside activity are common relationships that most likely need to be disclosed.

If it is determined that the Supervised Persons will have an outside business activity, then the Advisor may need to update the Form U4 and Form ADV Part 2B with information related to the activity such as the name of the outside business activity, a description of what the Supervised Persons duties are, if the Supervised Persons is compensated for the work done with the activities performed, the amount of time spent per month on the outside business activity, and any other information as required by or related to the forms, which may differ. The CCO will validate the information the Supervised Persons provided prior to filing the appropriate forms. Once filed, this information will be available as described below in 6.A of Regulatory Filings of this Compliance Manual. The IAR shall submit any material change in their business to the home office immediately.

### F. Gifts & Entertainment

The Gifts & Entertainment Policy of the Advisor is detailed in the Code of Ethics, and generally documents all Supervised Persons of the Advisor when giving or receiving gifts that exceed the specified nominal ("de minimis") value. Any gift given or received that is above the de minimis value is generally permitted, however it must be recorded in the Advisor's Gifts & Entertainment Log for review by the CCO so the Advisor can supervise and enforce its Gifts & Entertainment Policy. No Supervised Persons shall solicit or accept anything more than a set maximum value, unless approved by the CCO as required by the Code of Ethics.

## G. Political Contributions

The Political Contributions Policy of the Advisor is detailed in the Code of Ethics, and generally SEC Rule 206(4)-5 under the Advisers Act addresses political contributions made by the Advisor and its Supervised Persons. The intent of SEC Rule 206(4)-5 under the Advisers Act is to prevent registered investment advisors from using political contributions to improperly influence state or local officials in the awarding of contracts for the management of government accounts (e.g. public pension plans). The policy generally outlines that campaign contributions and other payments to government clients and elected officials able to exert influence on such clients is prohibited by Supervised Persons of the Advisor. Any political campaigning activity performed by Supervised Persons of the Advisor must be done in an individual, personal capacity and may not entangle the Advisor in any way. ALL political contributions must be reported to the CCO prior to making such contributions.

## H. Material Non-Public Information ("MNPI")

### I. Definition of Material Information

Material Information is information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to have a substantial effect on the price of a company's securities. Material Information includes, but is not limited to, dividend changes, earnings estimates, changes in previously released earnings estimates, significant merger or acquisition proposals or agreements, major litigation, liquidation problems and extraordinary management developments.

### II. Definition of Non-Public Information

Nonpublic information is information that has not been effectively communicated to the marketplace. One must be able to point to some fact to show that the information is generally public. For example, information found in a report filed with the SEC, or appearing in Dow Jones, Reuters Economic Services, The Wall Street Journal, or other publications of general circulation would be considered public.

### III. Penalties

Penalties for trading on or communicating MNPI can be severe, both for individuals involved in such unlawful conduct and their employers. A person can be subject to some or all of the penalties below, even if he or she does not personally benefit from the violation. Penalties include:

- Civil injunctions;
- Treble damages;
- Disgorgement of profits;
- Jail sentences and fines for the person who committed the violation of up to three times the profit gained or loss avoided, whether or not the person actually benefited; and
- Fines for the employer or other controlling person of up to the greater of $1,000,000 or three times the amount of the profit gained or loss avoided.

In addition, any violation of the Code could also result in serious sanctions, including dismissal of the Supervised Person[s] involved.

## I. COE Certifications

All Supervised Persons must certify annually to the CCO that they have read and understand the Code of Ethics, that they have complied with ALL requirements of the Code of Ethics and that they have provided the CCO with all transactions required to be reported under the Code of Ethics. The CCO will deliver a copy of the Code of Ethics along with required certifications to all Supervised Persons annually as well as any amendments to the Code of Ethics.

# 3. Client Management

**Overview**
To manage our client relations, the Advisor will review the client's personal information and situation before finalizing the engagement with a client agreement. The Advisor will perform further analysis as needed and required to further manage the client relationship. Client complaints received will be investigated promptly and fully in order to resolve any issues in a timely and complete manner.

## A. Investment Advisory Agreements

The SEC does not require written advisory agreements, however, in accordance with best practices the Advisor requires all advisory agreements to be written and to define the services to be provided, the term of agreement, advisory fees charged (including pro-rata fees upon termination), a non-assignment clause, and responsibilities of each party to the advisory relationship, including any account trading authority.

The Advisor requires a written investment advisory agreement for all clients (the "Investment Advisory Agreement"). The Advisor's Investment Advisory Agreement contains an acknowledgment of the Disclosure Brochure delivery as well as an acknowledgment of receipt of the Advisor's Privacy Policy.

The IAR maintains all signed copies of all Investment Advisory Agreements, along with all relevant support, in accordance with Advisers Act Rule 204-2 (the "Recordkeeping Rule"). The Advisor will also accept electronic receipt of original documents either via scan or facsimile. Electronic signature documents, along with supporting details will also be maintained in a client file pursuant to the Books and Records requirements.

The IAR shall not amend or revise any advisory agreement without the prior written consent of Bay Colony. The IAR shall not enter into any other agreement such as addenda, riders, side letters, supplements, or any other instrument intended to modify the provisions of the agreement.

All Investment Advisory Agreements must contain terms stating that the agreement cannot be assigned by the Advisor without client consent. Transfer of more than twenty five percent (25%) ownership of the advisory firm constitutes a change in control, and client consent must be obtained.

The Advisor will require that each new client supply important information needed to establish an investment advisory relationship. Advisory Persons should be familiar with the client documents required by the firm and ensure that all necessary information is obtained and verified with supporting documents such as trust agreements, advisory agreements and power of attorney forms, if applicable. Clients should be encouraged to provide written statements of their investment policy, guidelines and restrictions, if any.

## B. Client Suitability & Investment Policy

The Advisor has a fiduciary duty to provide investment advice to each client that is suitable to that particular client. As a general policy, the Advisor is responsible for managing the client's assets and is also responsible for making a reasonable inquiry into the client's investment objectives, financial situation, investment experience, and tolerance for risk. Based on that information, the Advisor shall determine whether any investment advice rendered to the client is suitable.

The required scope of a suitability inquiry depends on the standard of what is reasonable under the circumstances. The Advisor generally should obtain and review as much information as possible concerning the client. A large part of the suitability determination with respect to clients may depend on the client's written and/or documented investment objectives, which may be contained in a formal questionnaire. As the level of risk increases, an increasingly thorough review of a client's background is warranted.


Bay Colony Advisory Group, Inc. d/b/a Bay Colony Advisors
86 Baker Avenue Extension
Suite 310 Concord, MA 01742
Phone: (978) 369-7200 * Fax: (617) 249-1807
www.baycolonyadvisors.com

In addition, the Advisor typically obtains the following:

- General background information typically obtained as part of the account opening process, for example, retirement plan documents, constitutional, statutory or regulatory restrictions on client investments, internal client investment policies and guidelines, trust documents, and partnership agreements, etc.

- General information about the client and its primary business activities.

- Financial information about the client, for example, total value of the client's assets, percentage of assets invested with other managers or in other vehicles, and short- and long-term liabilities.

The Advisor shall prepare and place in a client's file a memorandum identifying any information requested, but not provided by the client, as well as the person from whom such information was requested and the reason the client did not provide the information.

**Updating Investor Information**
The Advisor will contact each client at least annually in person, by telephone, email or by letter and ask each client to update or provide additional account information. A record of such contact is maintained in the client's files and/or updated in electronic records (i.e. CRM system), specifying the mode of contact (if a letter was sent, a copy of the letter is sufficient).

The Advisor will instruct its clients to contact the Advisor anytime their financial situation or personal information changes. In these instances, the Advisor updates account information when the Advisor becomes aware of the new information.

**Evaluating the Suitability of Investments**
The suitability of individual investments, absent a specific restriction on the purchase of that investment, generally should be evaluated in the context of the client's entire portfolio. The following is a non-exclusive list of factors that should be considered in evaluating the suitability of investment advice.

- Investments should adhere to any client imposed investment restrictions and should be permissible and authorized under any offering memorandum, prospectus or other disclosure document, retirement plan documents, constitutional, statutory or regulatory restrictions on client investments, internal client investment policies and guidelines; trust documents, and partnership agreement, or similar limitations on client investment authority.

- Any proposed investment strategy should take into consideration the nature and characteristics of a client, such as, among other things, the client's investment objectives, risk tolerance, investment experience, financial condition, and assets available for investment, investment restrictions and their remaining investment horizon.

- Factors such as the types of securities purchased, the overall composition of the client's portfolio, the complexity of a strategy relative to the sophistication of the client, whether the nature of the strategy may alter the risk profile of a client's portfolio, among others, should be considered in relation to the specific client, as applicable.

**Elderly Clients**
Each IAR will receive a Diminished Capacity Checklist, which shall be addressed for any Client that is over the age of 70 ("Elderly Client"). All IARs must review the capacity of their Elderly

Clients periodically and document its efforts appropriately. These efforts should address the following:

- Be aware of red flag issues for diminished capacity- how to handle it, how to document, how to escalate if they occur with an elder client immediately report them to Compliance
- Documenting ANY cognitive decline when monitoring an Elderly Client quarterly in Redtail CRM to protect IAR and the Advisor from potential liability
- Any client over 70 must be contacted annually to evaluate cognitive abilities. Recap conversation with written notes on Redtail CRM
- Ask Elderly Client who they appoint as their ADVOCATE should there cognitive ability potentially decline in the future, their ADVOCATE should obtain authority to oversee the Elderly Client's assets. In addition, determine if Elderly Client would want to obtain durable power of attorney for each spouse, and to update the Custodian appropriately
- Obtain Elderly Client's attorney and family members contact information.
- Develop an organizational document listing the Elderly Client's possessions, a back up document to forward an ADVOCATE the Elderly Client's username and passwords, and to develop an Investment Policy Statement for the Advisor and its ADVOCATE to continually follow.

### C. Client Fees

The fiduciary duty of the Advisor to its clients requires that careful attention is applied to the billing practices of a registered investment advisor when seeking to collect fees from their clients for advisory services. Regulators such as the SEC will typically seek to ensure that there is a process in place with controls to ensure that clients of the Advisor are not being subjected to fees that are contrary to what was agreed-upon in the advisory agreement, or that clients are not charged fees that are unreasonable given the nature of services provided.

The methodology for client fees is disclosed in the Disclosure Brochure under Item 5, in addition to the investment advisory agreement used by the Advisor to engage clients for advisory services. The Advisor will review fee calculations before processing further via invoice or direct deduction in order to minimize any potential miscalculated fees being charged to clients of the Advisor. Additionally, the Advisor will periodically perform a test to ensure that the fee described in the client's investment advisory agreement is consistent with any additional billing systems or other technology tools that capture such information and are relied upon for calculating client fees. The Advisor will keep documentation of these reviews for their books and records.

### D. Custody of Funds & Securities

The Advisers Act imposes certain duties on registered advisors that have custody or possession of client funds or securities. The SEC generally takes the view that an advisor has custody if it directly or indirectly holds client assets, has any authority to obtain possession of them or has the ability to appropriate them. Accordingly, an advisor generally would be deemed to have custody if the advisor's fee is automatically deducted from a client's account upon presentation of a bill to the client's custodian. Although the Advisor will never take physical custody of client funds or securities, the Advisor is considered by the Advisers Act to have custody of client assets because they have the ability to have fees paid directly from client accounts. As such, the Advisor must comply with Rule 206(4)-2, the custody rule under the Advisers Act.

In order to comply with Rule 206(4)-2, the Advisor has adopted the following policies and procedures regarding assets in client accounts. The Advisor will: (1) segregate client funds and

securities and maintain them with a "qualified custodian" (bank or broker-dealer) in an account in that client's name, (2) notify clients in writing of the qualified custodian's name, address, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any changes to this information, and (3) ensure that the Custodian sends a quarterly account statement to each client, identifying the amount of funds and each security in the client account at the end of the period and setting forth all transactions during that period.

**"Due Inquiry" Requirement**
As of December 30, 2009 the Securities and Exchange Commission published an amendment to Custody Rule 206-4(2). Investment advisors that deduct their fees from client accounts need to conduct a "due inquiry" in order to establish a basis that the qualified custodian sends account statements to each client no less frequently than quarterly. To accomplish the "due inquiry" requirement, the CCO of the Advisor receives written confirmations on his own personal accounts from the custodian that the account statement was sent, giving the Advisor reasonable belief and assumption that client statements were executed by the custodian.

Advisors need to be aware that accessing the custodian's account statements on their website will not satisfy the "due inquiry" requirement because it does not confirm the account statement was actually delivered to the client.

In addition, the Advisor may have custody of assets if the Advisor is given access to a client's username and password for one of their personal accounts. The Advisor is deemed to have custody if the Advisor can change certain fields in the client's account, including but not limited to, address, e-mail address, bank accounts, etc., or if the Advisor has the ability to transfer funds out of the account without triggering approval from the client.

### I. Definition of Power of Attorney
A written document in which one person (the principal) appoints another person to act as an agent on his or her behalf, giving authority to the agent to perform certain acts or functions on behalf of the principal.

### II. Checks & Securities Received
The CCO of the Advisor has implemented an internal procedure to ensure the documentation of all checkbooks, bank statements, cancelled checks, cash reconciliations and securities received within the Compliance program via the ***Checks Received Log***.

The Checks Received log is available to all Supervised Persons that received and deposit checks with the Custodian, and is must be retained for five years. (More information found in Books & Records.)

## E. Client Complaints
In the course of providing advisory services, the Advisor may receive complaints from its clients regarding their services or other related matters. The Advisor will respond appropriately and promptly to client complaints that it receives and, when appropriate, take corrective actions in an effort to prevent future complaints.

Any statement alleging specific, inappropriate conduct on the part of the Advisor constitutes a complaint. A client complaint must be initiated by the client and must involve a grievance expressed by the client. In many instances, it is difficult to determine whether or not a communication constitutes a "complaint". A mere statement of dissatisfaction from a client about an investment or investment performance in most cases does not constitute a complaint. When in doubt, Supervised Persons should consult with the CCO to determine if a particular communication should be construed as a "complaint".

The purpose of this policy is to ensure that:

- Client complaints are addressed in a timely manner.
- Supervised Persons understand the importance of handling and documenting client complaints, including informing the CCO of any client complaints.
- Client complaints and their resolution are properly documented.

The Advisor will investigate all client complaints and respond to them in a timely manner. Supervised Persons are prohibited from responding to client complaints without prior approval of the CCO.

When a complaint is received the Supervised Person that receives the complaint should promptly notify the CCO. The CCO or Supervised Person will write up all complaints in a designated Client Complaint Log. This log will be maintained in the Advisor's books and records along with any correspondence or supporting documents related to the complaint.

The Advisor will make every effort to ensure that the complaint is addressed and settled in a timely manner and will document the resolution in a file or log designated for client complaints.

### F. Anti-Money Laundering / Customer Identification Program

Registered investment advisors are not yet subject to extensive anti-money laundering ("AML") requirements under State or Federal U.S. Law. Additionally, important to AML enforcement is that the Advisor does not custody client assets but rather has clients open accounts with registered broker-dealers for custody and transaction execution services. The broker-dealers will have primary responsibility to carry out the AML requirements for the Advisor's clients. However, the Advisor will monitor the activity in client accounts and bring unusual activity to the attention of the broker-dealer for further investigation and reporting, if appropriate.

**Policy and Business Activities**

The Advisor's policy is to endeavor to prevent, detect, and report the possibility of money laundering. "Money laundering" is understood to be the process by which individuals or entities attempt to conceal the true origin and ownership of the proceeds of internationally recognized criminal activity, such as organized crime, drug trafficking, or terrorism. Money laundering involves use of the financial system to disguise the origin of assets, for example, by creating complex layers of financial transactions and by the integration of the laundered proceeds into the economy as clean money. There are various laws and regulatory standards that govern entities in the effort to deter money laundering, including: the Bank Secrecy Act of 1970; the Money Laundering Control Act of 1986 and the USA PATRIOT Act.

The Advisor believes the following client behaviors may warrant further inquiry:

- Reluctance to provide information about identity, assets, business, etc.;
- Activity inconsistent with client's business;
- Frequent transfers, deposits or withdrawals of funds possibly to offshore or foreign entities in bank secrecy or money laundering havens;
- Frequent deposits of cash, cashier's checks, money orders or wire transfers slightly under $10,000 to avoid cash transaction reporting requirements;
- Transactions that lack business or investment strategy;
- Acting for an undisclosed principal; or
- Inability to describe client's own business.

Any of these behaviors, or other similar activities, should prompt further inquiry including possible referral to appropriate authorities.

## G. Solicitation & Client Referrals

BCA does engage paid solicitors for Client referrals, payment of referral fees by a registered investment advisor to persons who solicit advisory clients is permitted only in accordance with Rule 206(4)-3 of the Advisers Act (the "Cash Solicitation Rule").

The advisor must be registered under the Advisers Act and the solicitor must not have been convicted of any securities law violations. The advisor and the solicitor must enter into a separate, written agreement. No further requirements apply to solicitations for impersonal advisory services. A Solicitor who is a partner, employee, etc. of the Advisor (or an affiliate) must disclose such status to clients at the time of the solicitation or referral. Solicitors are required to provide a disclosure statement describing the solicitor relationship with the advisor when making the referral.

**Policy and Business Activities**

For all other solicitors or advisory services, all of the following conditions apply:

- The written agreement with the Advisor:
  - Describes the solicitation activities and any related compensation;
  - Obligates the solicitor to comply with the Advisor's instructions, the Advisers Act and related rules;
  - Obligates the solicitor to provide the client with: (i) the Advisor's Disclosure Brochure; and (ii) a separate disclosure document which discloses the following:
    - The Solicitor's and Advisor's names;
    - Nature of the relationship between solicitor and Advisor, including any affiliation;
    - Statement that Solicitor is to be compensated by Advisor and the terms and description of compensation; and
    - The amount, if any, which will be charged to the client in addition to the advisory fee, as well as other fee information, if applicable.

- Prior to, or at the time of, executing an advisory agreement the Advisor must receive a signed and dated acknowledgment from the client evidencing receipt of the Advisor's Disclosure Brochure and the solicitor's disclosure document. This may be accomplished by receiving an executed copy of the Investment Advisory Agreement that contains an acknowledgement of receipt of the Disclosure Brochure. The acknowledgement must be retained by the Advisor to comply with the Adviser's Act Rule 204-2(a)(15).

- The Advisor must make a *bona fide* effort to ascertain whether the solicitor has complied with the written agreement between the Advisor and the solicitor and have a reasonable basis for believing it.

Currently, the Advisor does not engage any solicitors for referral fee relationships.

## H. ERISA Clients

The Employee Retirement Income Security Act of 1974 ("ERISA") is a federal law that establishes legal guidelines for private pension plan administration and investment practices. ERISA was written to protect plan beneficiaries and participants from problems and abuses.

ERISA contains a number of provisions that address individuals and firms that are engaged in managing ERISA accounts or provide advisory services to employee benefit plans. The SEC, the Advisers Act, and the U.S Department of Labor's rules govern the responsibilities for ERISA accounts. In cases where the Advisor or its representatives are unsure of these responsibilities, they should seek expert advice prior to contracting with an ERISA account.

Currently, BCA does act as an advisor to any ERISA covered accounts.

Currently, BCA has fully documented its practices to comply with ERISA to act as an advisor and accept client-directed brokerage with respect to ERISA. In order to enter into client-directed brokerage arrangements without violating ERISA:

- The cash rebate, goods or services provided by the selected broker to the plan must be for a purpose that exclusively benefits the plan and must be goods or services for which the plan otherwise would be obligated to pay;
- The amount paid must be reasonable and the portfolio manager must have obtained best execution;
- The broker must document any rebating arrangement and provide confirmations which disclose that a portion of the commission was returned to the plan; and
- The portfolio manager and the broker must have a system of controls and records to ensure that one client's account is not disadvantaged in order to fund a rebate to another client.

If the Advisor or any of its IARs violate any of the standards imposed by ERISA, they will be personally liable to reimburse the plan for any losses resulting from the violation. This would also include reimbursing the plan for any income loss as a result of breaching the Advisor's fiduciary duty. The Advisor will impose appropriate disciplinary actions for any violations to ERISA laws.

### I. Government Clients

Government Clients are all government entities to which the investment advisor provides or has provided investment advisory services, or which are or were investors in any covered investment pool to which the investment advisor provides or has provided investment advisory services.

## 4. Portfolio Management & Trading

**Overview**

The Advisor has developed policies and procedures to ensure that its portfolio management and trading practices are fair and reasonable to its clients, fully disclosed, and honor its fiduciary responsibilities. The Advisor's portfolio management and trading practices are generally disclosed in the Advisor's Disclosure Brochure.

### A. Best Execution

Advisors have a fiduciary obligation to seek to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Advisors must "execute securities transactions for clients in such a manner that the overall execution of a client's transactions is the most favorable under the circumstances." The SEC further explains "best execution" as follows:

"A money manager should consider the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money manager. The Commission wishes to remind money managers that the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the managed account. In this connection, money managers should periodically and systematically evaluate the execution performance of broker-dealers executing their transactions."

As a result, the Advisor will have compliance obligations based upon their broker-dealer relationships where Advisor recommends a particular brokerage to their clients.

To comply, the CCO, or delegate, will conduct an annual post trade test to review the execution of Client trades, on an aggregated basis. Additionally, the CCO, or delegate, will review the Retail

Execution Quality Statistics or similar reports received from Custodian[s], and will document the review within the Books and Records Archive.

**Policy and Business Activities**
The Advisor generally has clients who establish their accounts at a specific custodian. As a result, the Advisor does not have the ability to choose where to execute client trades. While the Advisor cannot choose the broker, it may recommend a broker-dealer to its potential and current clients, and also may seek to achieve best execution, by "batching" or blocking client orders. If batch trading is not available, the Advisor is required to disclose to clients that it will not batch transactions and that clients may pay higher commissions as a result. These batching practices are discussed below in Trade Aggregation & Allocation.

In executing trades for clients, the Advisor will at all times seek to obtain the most favorable terms for each transaction reasonably available under the circumstances. Where the Advisor does not have discretion over choosing a broker-dealer, it may recommend them to clients. The recommended broker-dealer may also provide custodial services, but the best execution analysis is intended to focus on the broker-dealer services provided to its clients. In recommending a broker-dealer to establish an account with, the Advisor will consider the full range and quality of a broker's services including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness. The Advisor will attempt to recommend custodians who it believes will provide the best execution services based on the needs of the client. The Advisor will document its annual review of broker-dealer recommendations for their books and records.

### B. Trade Aggregation & Allocation
In making investment decisions for accounts, securities considered for investment by one account may also be appropriate for another account managed by the Advisor. On occasions when the purchase or sale of a security is deemed to be in the best interest of more than one client account, if the Advisor has a policy of aggregating trades for its clients the Advisor may aggregate or "batch" orders for the purchase or sale of securities for all such client accounts to the extent consistent with best execution and the terms of the relevant Investment Advisory Agreements. Such combined trades may be used to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution or reducing overall commission charges.

Based on guidance provided by the SEC, the Advisor may combine orders for the purchase and sale of securities on behalf of investment advisory clients, including individual accounts and collective investment vehicles in which the Advisor or its associated persons might have an interest.

The Advisor will ensure that aggregated securities transactions in participating client accounts are allocated in a fair and equitable manner, by upholding the following conditions:

- Aggregation and allocation policies are fully disclosed to all Clients;
- The Advisor does not favor any advisory account over any other managed account;
- The Advisor gives individual investment advice to each account;
- Each participating Client account receives the average price for each trading day;
- Trades are combined only if consistent with the duty to seek best execution and with the terms of the relevant clients' Investment Advisory Agreements;
- The participating accounts and the relevant allocation method are specified in writing before entering an aggregated order; and
- Aggregated trades are documented in the Advisor's books and records archive, including securities bought, sold and held by each participating account.

Generally, aggregated transactions are averaged as to price and transaction costs and will be allocated among participating accounts in proportion to the purchase and sale orders placed for each account on any given day (*i.e.*, *pro rata*). While the Advisor will always try to allocate *pro rata* in the first instance, the Advisor may use other methods of allocation – provided that such methods are fair and equitable. For example, the Advisor may use a random allocation method for certain limited availability or thinly traded securities.

For each aggregated order, the books and records of the Advisor will separately reflect the securities bought, sold and held by each account. All such records will be maintained in accordance with the applicable book and recordkeeping provisions of the Advisers Act and the rules thereunder.

The Advisor will fully disclose its aggregation and allocation policy in its Disclosure Brochure under Item 12(B).

### C. Principal and Cross Trades

Advisors may face conflicts of interest when trading for clients, including trades for their proprietary accounts. Registered Advisors generally must trade in accordance with procedures developed to ensure that the Advisor, among other things, seeks best execution of client orders and fairly allocates batched orders among its clients. While Advisors have fairly broad discretion to tailor policies to their specific operations, Advisors must disclose potential material conflicts of interest and any procedures implemented to prevent these conflicts.

**Policy and Business Activities**

The Advisor, as an Investment Advisor and a fiduciary to its clients, places clients' interests first and foremost. The Advisor's policies and procedures with respect to trading prohibit unfair trading practices and require the Advisor to disclose any conflicts of interest. The Advisor makes investment decisions for each client based on that client's investment objectives and restrictions, and its investment personnel are familiar with the objectives and restrictions of all client accounts for which they are responsible. The Advisor discloses its trading policies and practices in its Form ADV Part 2.

The Advisor's CCO is responsible for establishing and reviewing the adequacy of the Advisor's trading practices (including asset allocation strategies, trade aggregation/allocation, best execution, error correction, approved counterparties, and other related trading practices).

**Trading Ahead, "Scalping" And Related Activities**

Advisors and their associated persons may not acquire securities, recommend such securities to clients in anticipation of prices rising due to client purchases and then sell their securities at a profit, or in most circumstances trade in securities for their own accounts contrary to recommendations made to clients. The Advisor's CCO monitors all of the Advisor's trading activity as required by the Advisor's Code of Ethics to ensure compliance. As each client's investment goals, financial condition and risk tolerance will differ the Advisor may, for its own account or for other clients, purchase or sell securities contrary to advice provided to another client. The Advisor may not enter into such transactions to disadvantage any client to benefit another client or individual.

**Principal Transactions**

Principal transactions are governed by Section 206(3) of the Advisers Act and involve securities transactions in which the Advisor has a proprietary interest in the securities being traded. Principal transactions must be disclosed to the client in writing prior to the completion of the transaction and written client consent must also be obtained. Consent may be obtained after execution, but prior to settlement, of the transaction. The Advisor does not engage in principal transactions and does not anticipate doing so. In the event that a situation develops that might

involve a principal transaction, appropriate disclosures will all be made in advance of the transaction.

**Agency Cross Transactions**
Agency cross transactions are also governed by Section 206(3) and involve securities transactions in which an Advisor acts directly (or through an affiliate) as the client's Advisor and as broker for the person on the other side of the transaction. The Advisor does not engage in agency cross transactions and does not anticipate doing so. In the event that a situation develops that might involve an agency cross transaction, legal counsel will be consulted prior to the transaction.

**Securities Valuation**
All securities held in accounts managed by the Advisor will be independently valued by the designated Custodian. The Advisor will not have the authority or responsibility to value portfolio securities.

### D. Proxy Voting

The right to cast votes on certain corporate matters is an important power given to shareholders of publicly traded companies and mutual funds. The Advisor is expected to address its role with respect to voting proxies on behalf of clients. Clients may agree to take on the responsibility to vote proxies on securities they own, or they may elect to not vote their proxies. In each instance, regulators expect the Advisor to have clearly defined (and communicated) policies and procedures related to this vital aspect of corporate governance so clients understand how to cast their vote. The Advisor's proxy voting policies are disclosed to clients in the Advisor's Disclosure Brochure under Item 17.

Shareholders of publicly traded companies and mutual funds have the right to express their opinion on certain business matters that impact the value of the securities they own. Board of director elections, mergers and acquisitions and changes in fee schedules (in the case of mutual funds) are examples of decisions that are delegated to shareholders.

Since most shareholders do not attend annual meetings in person, their right to express their opinion on theses matters is done by casting a ballot either electronically or via mail.

The Advisor will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client retains the authority and responsibility for the voting of these proxies. Also, the Advisor will not provide any advice or take any action with respect to the voting of proxies as agreed to in the Investment Advisory Agreement and disclosed in the Disclosure Brochure. Should a client have questions on a particular proxy, the Advisor may assist the client in understanding the background and intent of the proxy, but shall not influence the voting decision. The Advisor personnel shall remind the client that their policies prevent them from providing advice regarding proxy votes.

### E. Trade Error Correction

A "trade error" is generally any transaction resulting in client funds being committed to unintentional transactions. Trade errors can result from a variety of situations involving portfolio management, trading and settlements. It is the Advisor's responsibility to evaluate each trading error and to ensure that the appropriate party corrects the error. The Advisor's policy is to identify and correct trading errors, of a more than de minimis amount, affecting any account as expeditiously as possible. De minimis errors are generally not corrected.

All trades are reviewed by the CCO, or delegate, of the Advisor on a quarterly basis for accuracy and completeness. Additionally, all IARs will conduct periodic self assessment of their trades. Upon discovery of a trade error, the error is documented on error reports and logged within the Compliance program via the ***Trade Error Log***.

The Firm may maintain a separate error account at the appropriate financial institution to provide for efficient resolution of trade errors. In no case, may the Firm use soft dollars to correct trade errors.

Types of trading errors include, but are not limited to:

- Transposing an order (e.g., buying instead of selling);
- Purchasing or selling unintended securities or unintended amounts of securities;
- Allocating a transaction to the wrong account;
- Purchasing or selling securities that are not appropriate for an account;
- Selling a security a client does not own;
- Entering an order at the wrong price; and
- Operational errors in calculating price/commission information or in arranging for settlement.
- An error in the software used to conduct the trade.

Because a trade error generally results in client money being at risk, the following guidelines generally apply in determining which method of error correction is most appropriate:

- The Advisor has implemented an internal process to review all trade errors on a quarterly basis. The net results of the monthly review will result in either a net gain or loss.
- Any error that results in a gain will require the Advisor to donate the gain to a charity; and
- Any error that results in a direct loss for the client will be absorbed by the Advisor.

### F. Soft Dollars

Among the factors an Advisor may consider in seeking best execution is the value of a broker-dealer's execution and research services, including third party research provided by the broker-dealer (*i.e.*, "soft dollar" services), provided these services fall within the safe harbor of Section 28(e) of the 1934 Act.

**Policy and Business Activities**

The Advisor does engage its custodian in a Soft Dollar relationship, where some non-cash benefits are received. The Advisor receives investment research, discounts for service providers, investment software, books and research reports for placing a certain amount of trades through a custodian. As this is a conflict of interest, where the Advisor is incentivized to place trades with the particular custodian, the Advisor will conduct a periodic review of Client trade activities and accounts to ensure Clients receive best execution, and that each transaction is in the best interest of the Client. These reviews will be documented in the Advisors Books and Records Archive. The Soft Dollar engagement must be disclosed to each Client through the Advisor's Disclosure Brochure.

### G. Client-directed Brokerage

In circumstances where a client seeks to direct the use of a certain broker-dealer, the Advisor requires that such direction be provided by the client in writing, either as part of the Investment Advisory Agreement or by separate instruction. Generally, the Advisor will recommend the broker-dealer to the client, but does not have discretion to choose the broker and custodian for client accounts. Clients will establish an account with a specific broker and custodian and direct the Advisor to place trades with that custodian. Under these circumstances, the direction by a client of a particular broker or dealer to execute transactions means that the Advisor does not have the ability to choose the price of the security traded or the commission paid. The result could be higher commissions, greater spreads or less favorable net prices, than if the Advisor was empowered to negotiate commission rates or spreads freely, or to select brokers or dealers based on best execution.

**Policy and Business Activities**
To inform clients of the limitations of client-directed brokerage with respect to best execution, the Advisor's Investment Advisory Agreement and Disclosure Brochure both disclose the implications of client-directed brokerage arrangements. The Advisor also discloses that directed transactions may not be combined or "batched" for execution purposes with orders for the same securities for other accounts the Advisor manages.

Generally, the Advisor only utilizes broker-dealers chosen by the client.

# 5. Client Communications: Advertising & Sales Marketing

## A. Client Communications

Any form of communication to clients that is designed to solicit or maintain advisory service ("Client Communications") is covered by regulations under Securities Laws. The Advisor has developed the following policies and procedures to ensure compliance with these Securities Laws.

### I. Advertising & Marketing

Investment advisor advertising is regulated by Rule 206(4)-1 of the Advisers Act (the "Advertising Rule"). The Advertising Rule defines the term "advertisement" to include any notice, circular, letter or other written communication addressed to more than one person, or any notice or other written announcement in any publication or by radio or television, which offers, among other things, "any investment advisory service with regard to securities". This definition includes all communications that advisors may use to solicit new clients as well as maintain existing ones. Advisors will not use BCA's name, logo, etc unless pre-approved by the firm.

Additionally, written communications on a one-to-one basis to existing, or prospective, advisory clients designed to offer advisory services, or maintain the existing client, are deemed to be an advertisement. **However**, if the written communications to existing advisory clients are solely designed to present the performance of their accounts, they are generally not considered advertisements.

### II. Policy and Business Activities

The Advertising Rule further provides that it shall find a violation of the Advertising Rule has been committed when an investment advisor acts to publish, circulate, or distribute any advertisement which, among other things:

- Refers, directly or indirectly, to any testimonial;
- Refers, directly or indirectly, to past specific recommendations;
- Represents, directly or indirectly, that any graph, chart, formula or other device being offered can, in and of itself, be used to determine which securities to buy or sell, or when to buy or sell them (unless sufficiently qualified);
- Contains any statement to the effect that any report, analysis, or other service will be furnished for free or without charge, unless such report, analysis or other service actually is or will be furnished entirely for free and without any condition or obligation, directly or indirectly; or
- Contains any untrue statement of a material fact, or which is otherwise false or misleading.

The CCO or their delegate reviews all material prior to use to ensure that there are proper disclosures and that no fraudulent, deceptive or manipulative acts are in the material, and that it complies with all required aspects of the Advisers Act and the Advertising Rule.

### III. Past Specific Recommendations

Unless certain specific conditions are met, as noted above, an Advisor may not advertise its "past specific recommendations". To ensure compliance with this requirement, the Advisor will not name any specific issuer in any advertisement unless:

- The Advisor complies with the requirements of Rule 206(4)-1(a)(2): i.e., either lists, or offers to furnish a list of, each recommendation made during the immediately prior one-year period together with detailed information about each recommendation; or
- The Advisor complies with relevant SEC or state no-action relief.
- The Advisor may provide a partial list of recommendations if: (1) securities are selected for inclusion based on objective, non-performance related criteria; (2) the same selection process is used in subsequent periods; (3) profits or losses attributable to any specific security listed are not discussed; and (4) appropriate supporting records are maintained.
- The Advisor may include information about past specific recommendations (in addition to testimonials) in certain types of materials not deemed advertisements for purposes of those sections of the Advertising Rule that limit the use of past specific recommendations and testimonials. These materials include:
    - Oral communications other than those in radio or television broadcasts;
    - Written communications in response to unsolicited requests by a client, prospective client or consultant for specific information about the Advisor's past specific recommendations provided to: (1) the requesting client, prospective client or consultant; (2) a single consultant on behalf of multiple clients; or (3) several consultants; and
    - Written communications to the Advisor's existing clients, provided that the purpose of the communication is not to offer advisory services.

### IV. Use Of Articles From News Media

The SEC staff takes the position that certain articles from the news media are not prohibited by Rule 206(4)-1(a)(1) of the Advisers Act, which prohibits the use of testimonials by an Advisor. Distribution by an Advisor of a *bona fide* news article, written by an unbiased third party, is not subject to the requirements of the rule governing advertisements; articles that refer to prior recommendations of Advisors may be distributed if the prior recommendations are solely contained within the article. However, using such reprints is subject to Advisers Act Rule 206(4)-1(a)(5), which makes it a violation for an Advisor to publish an advertisement that contains any untrue statement of a material fact or is otherwise misleading.

## B. Communicating Past Performance

### I. Use of Performance Calculations

As a general rule, the Advisor does not utilize performance calculations in its marketing material. In the event the Advisor chooses to utilize performance calculations, the Advisor will adopt the following policy.

The recordkeeping rule requires Advisors to keep all of their advertisements and any document necessary to form the basis for performance information in advertisements ("supporting records"). The Advisor must keep advertisements and supporting records for five years from the end of the fiscal year in which the advertisement was last published or otherwise disseminated. All documents necessary to form the basis for performance calculation should be kept for all years since inception.

The SEC and the state Regulators will not review or approve Advisor advertisements prior to use. Whether any particular advertisement is false or misleading will depend upon the particular facts and circumstances surrounding its use. The burden of determining what is "false or misleading" is on the Advisor, and is an aspect of the Advisor's advertising review process.

### II. Performance Presentation Standards

A performance communication is deemed fraudulent if it does any of the following:

- Fails to disclose the effect of material market or economic conditions on the results portrayed. For example, an advertisement stating that the accounts of the Advisor's clients appreciated 25% in value without disclosing that the market generally appreciated 40% during the same period.
- Includes some model or actual results that do not reflect the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid. In certain one-on-one presentations, performance results may be presented on a gross basis if at the same time the client receives in writing:
    - Disclosure that the performance figures do not reflect the deduction of investment advisory fees;
    - Disclosure that the client's return will be reduced by the advisory fees and any other expenses it may incur in the management of its investment advisory account;
    - Disclosure that the investment advisory fees are described in the Advisor's Disclosure Brochure; and
    - A representative example (table, chart, graph, or narrative) that shows the effect on performance that investment advisory fees, compounded over a period of years, could have on the total value of a client's portfolio.

- Fails to disclose whether and to what extent the results portrayed reflect the reinvestment of dividends and other earnings.
- Suggests or makes claims about the potential for profit without disclosing the possibility of loss.
- Compares model or actual results to an index without disclosing all material facts relevant to the comparison.
- Fails to disclose any material conditions, objectives, or investment strategies used to obtain the results portrayed.
- Fails to disclose prominently, if applicable, that the results portrayed relate only to a select group of the Advisor's clients, the basis on which the selection was made, and the effect of this practice on the results portrayed, if material.

### C. Interactive Media Communications

The Advisor may utilize various interactive media communications ("Social Media") to communicate the Advisor's services with clients, prospective clients and others. The Advisor is required to supervise all Social Media activities that communicated the Advisor's services or information, which includes business accounts operated by Supervised Persons. These permitted business Social Media activities may include the use of the following media outlets:

- Company website(s),
- LinkedIn,
- Facebook,
- Twitter,
- Blogs, and
- Any other communication medium that is considered social media.

The CCO, or delegate, of the Advisor will review, approve, and record keep all Social Media of the Advisor on an annual, or an as needed basis to ensure that no fraudulent, deceptive or manipulative information is disseminated. The Advisor will screenshot each Social Media page annually and upon any changes.

### I. Use of Social Media

Unless permitted and pre-approved by the CCO, or delegate, Social Media activity from the Supervised Person's personal account are prohibited from referencing the Advisor's services or information on their personal accounts. The CCO, or delegate, prior to execution, must approve any future changes to a Supervised Person's social media page. Supervised Persons are forbidden to comment on any Social Media material internally or externally. In addition to the Advisor's Code of Ethics generally, all permitted Social Media activities on behalf of the Advisor or Supervised Persons, must adhere to the Advisor's Client Communications guidelines, as defined above and highlighted below:

- Must not contain any false or misleading statements or omission of material facts;
- Must not contain any specific securities recommendations;
- Must not contain any testimonials; and
- Must not contain any confidential client or employer information.

### D. Email Surveillance

As a registered investment advisor, the Advisor is required to keep records of client communications and to reasonably guard against fraud and misrepresentation. To ensure compliance with these rules, the Advisor utilizes Global Relay to archive and monitor on a quarterly basis the email communications of all of its Supervised Persons, including any messages sent to or received by its clients. Periodically, a review of email will be conducted by the CCO through its email archive software using a random sampling of emails transmitted by the Advisor. This quarterly review will be documented and archived in the Advisor's documentation archive for no less than five years.

## 6. Regulatory Filings

**Overview**

This section describes the regulatory filings relevant to the Advisor, steps that the Advisor has taken to comply with the filing's requirements and their relevance to clients.

### A. Firm Registration- Form ADV Filings

Under Rule 204-3(a) of the Advisers Act, Advisors must provide all current and prospective clients with a written disclosure statement (the "Disclosure Brochure") and certain information about the IARs of the Advisor (the "Brochure Supplement"). These two brochures comprise Part 2 of Form ADV. The primary purpose of Form ADV Parts 2A and 2B are to provide clients with a clearly written and meaningful disclosure, in plain English, about the Advisor's services, fees, business practices, conflicts of interest and material business relationships with affiliates.

### I. Form ADV2A- Disclosure Brochure

The Disclosure Brochure is known as Form ADV Part 2A. It is required to be filed through the FINRA IARD system for review by both federal and state regulators. The Disclosure Brochure must also be kept current and made available during regulatory examinations. It must be provided to prospective clients prior to or at the time of the signing of an advisory agreement and becoming a client of the Advisor. The Disclosure Brochure also has annual amendment and delivery requirements that are described in Section IV, Form ADV Delivery.

### II. Form ADV Delivery

Rule 204-3(a) of the Advisers Act states : "an investment adviser . . . must deliver a brochure and one or more brochure supplements to each client or prospective client" and continues under section 204-3(b)(1) "before or at the time you enter into an investment advisory contract with that client."

The Advisor's client agreements will contain an acknowledgement of ADV Part 2 delivery, to be maintained in the Advisor's books and records and serve as proof of delivery. Documentation of subsequent deliveries will also be maintained in the Advisor's books and records.

### III. Annual vs. Material Change

Should any material changes occur in the Advisor's business practices throughout the year including, but not limited to, investment process, fees charged, ownership structure, business address, contact information or other notable aspects of the Advisor's business, the Advisor will file an amendment to Form ADV through IARD within 30 days of the change.

Annually, within 90 days following its fiscal year end, the Advisor will review, update as necessary and file its Form ADV Part 1 and Part 2 via FINRA's IARD system. Then the Advisor must "deliver" at no cost to the client, an update that either includes:

- The updated Disclosure Brochure that contains a summary of material changes since the last delivery to clients; or
- A summary of material changes to the updated Disclosure Brochure that includes an offer to provide a copy of the updated Disclosure Brochure and information on how a client may obtain the Disclosure Brochure. See SEC rule 204-3(b) and similar state rules.

The Advisor will deliver a current Disclosure Brochure to clients in an acceptable format that is easily accessible and readable (i.e. searchable PDF format). Electronic versions of the Disclosure Brochure and Brochure Supplements can be delivered by email. For clients that do not have an established email address for Advisor communications, a paper version must be mailed to the client's mailing address. Delivery must be made without charge to the client. Upon request, a hard copy version of Disclosure Brochure and Brochure Supplements must be sent by regular, first-class mail or overnight carrier.

### IV. Disciplinary Disclosures

In accordance with SEC Rule 204-3(b) and similar state rules, the Advisor must deliver an interim amended Disclosure Brochure to clients if the amendment includes information in response to Item 9 of Part 2A (Disciplinary Information). An interim amendment can be in the form of a document describing the material facts relating to the amended disciplinary event. Further, the Advisor will inform all clients of any material information that could affect the advisory relationship. The Advisor will disclose material changes to such information to clients even if those changes do not trigger delivery of an interim amended brochure.

Advisers Act Rule 204-2(a)(14)(i) states that Advisors must maintain "A copy of each brochure and brochure supplement, and each amendment or revision to the brochure and brochure supplement, that satisfies the requirements of Part 2 of Form ADV; any summary of material changes that satisfies the requirements of Part 2 of Form ADV but is not contained in the brochure; and a record of the dates that each brochure and brochure supplement, each amendment or revision thereto, and each summary of material changes not contained in a brochure was given to any client or to any prospective client who subsequently becomes a client." The Advisor will maintain all written and electronic records regarding client accounts in accordance with the Books and Records policy.

### B. Investment Advisory Representative Registrations

The Advisor is required to register its Investment Advisor Representatives ("IARs") with states in which the Advisor may conduct business, unless exempted from registration in a particular state. The states may require registration and/or licensing of IARs who: (1) provide advice to "retail" clients, meaning natural persons other than "qualified clients"; (2) have more than five clients in the respective state(s) with the exception of Louisiana, Nebraska, New Hampshire, and Texas, and (3) have a "place of business" within the states.

The CCO of the Advisor will review IAR registration requirements prior to soliciting business in any state in which its IARs have a "place of business", because the definition and requirements for an IAR vary from state to state. In some states, only those who actually provide investment

advice must register. In other states, any individual (with a "place of business" in the state) who solicits clients for an advisor must be registered as an IAR. An IAR's place of business is: "(1) an office at which the IAR regularly provides investment advisory services, solicits, meets with, or otherwise communicates with clients, and (2) any other location that is held out to the general public as a location at which the IAR provides investment advisory services."

### I. Definition of an IAR

IARs are the Supervised Persons of the Advisor whose main responsibility is to provide investment related advice to clients of the Advisor. Registered investment advisors, such as the Advisor, are required to supervise the advisory activities of its Supervised Persons to stay compliant with the Adviser's Act, applicable Rules, and the Advisor's Compliance Program including this Compliance Manual. Details about the Advisor's IARs, including their responsible supervisors, are described in the Form ADV Part 2B Brochure Supplement, which is a required filing for all IARs providing investment advice as a Supervised Person of the Advisor.

### II. Form U4

The U4 Filing is the Uniform Application for Securities Registration or Transfer and is used by investment advisor representatives to enable their individual registration with applicable regulators and jurisdictions.

### III. Form U5

The U5 Filing is submitted to withdraw an individual's registration as an investment advisor representative. A partial U5 can either remove IAR registrations in specific jurisdictions or, if they have fully resigned from the firm, a full U5 can be submitted to remove all registrations of that individual with the firm, such as during a termination of employment.

### IV. Form ADV-W

In the event that the Advisor has ended its client relationships in a particular jurisdiction and intends to no longer operate in that jurisdiction, the Advisor is required to notify the respective regulatory agency of that change. To notify current regulators, the Advisor will submit a timely filing of Form ADV-W, which is the form used to withdraw registration from a jurisdiction or when transitioning to or from the SEC as its primary regulator.

### IV. Form ADV2B- Brochure Supplement[s]

The Brochure Supplement is known as Form ADV Part 2B. It is not required to be filed through the FINRA IARD system for SEC registered Advisors, but such Advisors need to keep copies and all amendments in their books and records.

## C. Section 13 SEC Reporting

To ensure that the Advisor complies with all applicable laws, rules and regulations regarding regulatory filings, the Advisor has a process in place for each of the following filings detailed below. The Advisor monitors, on an ongoing basis, any matters that may require amendments or additional filings. Any such amendments or additional filings are to be filed promptly and accurately.

The Advisor reviews and updates the filings below as applicable. The CCO is responsible for reviewing and completing all relevant filings.

### I. Schedule 13D Filing Requirements

Any person who acquires beneficial ownership of more than 5% of a class of any U.S. registered equity security with more than an investment return purpose in owning the security must, within ten days after the acquisition, file a Schedule 13D. For example, if the Advisor is attempting to recommend a board member or otherwise has a control intent, a Schedule 13D is appropriate. Schedule 13D must be filed with the SEC and sent to the issuer of the security and to each exchange on which the security is traded. SEC-registered Advisors are required to file Schedule

13D electronically on EDGAR. The Advisor's investment decisions are generally for investment purposes only. The Advisor may utilize sub-advisors who will have separate responsibilities for meeting the requirements of 13D.

### II. Schedule 13F Filing Requirements

If an advisor acts as an institutional investment manager with investment discretion with respect to accounts of $100 million or more of exchange-traded or NASDAQ securities, based upon the list of designated securities published quarterly by the SEC, the advisor must file a Form 13F electronically on EDGAR within 45 days of each calendar quarter end, reporting: (1) the name of the issuer; (2) the number of shares held; and (3) the aggregate fair market value of each security held. For a list of all 13F Securities, please go to www.sec.gov/divisions/investments/13flists.htm

### III. Schedule 13G Filing Requirements

A Schedule 13G may be filed in lieu of Schedule 13D if the Advisor's holdings were acquired in the ordinary course of business and not with the purpose of changing or influencing control of the issuer. If the Advisor's ownership intent changes to an intent or effect of causing a change in control of the issuer, a Schedule 13D must be promptly filed. The Advisor's investment decisions are generally for investment purposes only. The Advisor may utilize sub-advisors who will have separate responsibilities for meeting the requirements of 13D.

Schedule 13G must be filed within 45 days after the end of the calendar year in which the person acquired and continues to have beneficial ownership, directly or indirectly, of more than 5%. If, however, 10% or more of an issuer is acquired, the initial Schedule 13G must be filed electronically on EDGAR within ten days after the end of the first month in which ownership exceeded 10% (computed as of the last day of the month). Copies of Schedule 13G must also be sent to the issuer of the security. An advisor with discretionary management authority is treated as having beneficial ownership of all the securities in discretionary accounts.

If one of the Advisor's clients owns 5% or more in a discretionary account, a separate Schedule 13D or Schedule 13G must also be filed for that account.

### IV. Schedule 13H Filing Requirements

Rule 13h-1 requires a "Large Trader" whose transactions in "NMS securities" equal or exceed 2 million shares or $20 million during any calendar day, or 20 million shares or $200 million during any calendar month ("Identifying Activity Level"), to identify itself to the Commission and make certain disclosures to the Commission on Form 13H over SEC EDGAR.

A "Large Trader" is generally defined as a person, including a firm or individual, that: (i) directly or indirectly, including through other persons controlled by such person, exercises investment discretion over one or more accounts and effects transactions for the purchase or sale of any NMS security for or on behalf of such accounts, by or through one or more registered broker-dealers, in an aggregate amount equal to or greater than the Identifying Activity Level; or (ii) voluntarily registers as a large trader by filing electronically with the Commission Form 13H. An "NMS security" is any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options.

The large trading reporting requirements require registration of large traders with the SEC and require specific record keeping, reporting and monitoring duties on registered broker-dealers that service large trader customers.

**Policy and Business Activities**

For the purposes of determining whether the Advisor is a large trader, the Advisor uses the following criteria in accordance with Rule 13h-1(c)(1):

- Volume or fair market value of transactions in equity securities and underlying transaction in options on equity securities, purchased and sold, is aggregated;
- Fair market value of transactions in options on a group or index of equity securities, purchased or sold, is aggregated;
- The Advisor **does not** subtract, offset, or net purchase and sale transactions when aggregating the value or fair market value.

In accordance with Rule 13h-1(a)(7), the Advisor defines "identifying activity level" as:

- During a calendar day:
  - Two million shares; or
  - Shares with a fair market value of $20,000,000
    During a calendar month:
  - Twenty million shares; or
  - Shares with a fair market value of $200,000,000.

Under the rule the following is not counted as a transaction when determining if the Advisor is a Large Trader:

- Journal or bookkeeping entries made in order to record the receipt or delivery of funds / securities pursuant to the settlement of a transaction;
- Transactions that are part of an offering of securities by or on behalf of an issuer, or by an underwriter or agent for an issuer, regardless of whether such offering is subject to registration, provided, however, that this exemption shall not include an offering of securities effected through the facilities of a national securities exchange;
- Transactions that constitute gifts;
- Transactions effected by a court-appointed executor, administrator or fiduciary pursuant to the distribution of an estate;
- Transactions pursuant to court order or judgment;
- Transactions pursuant to a rollover of qualified plan or trust assets subject to Section 402(a)(5) of the Internal Revenue Code;
- Transactions between an employer and its employees effected pursuant to an award, allocation, sale, grant, or exercise of an NMS security, option, or other rights to acquire securities at a pre-established price pursuant to a plan that is primarily for the purpose of an issuer benefit plan or compensatory arrangement; and
- Transactions to effect business combination, including a reclassification, merger, consolidation, or tender offer subject to Section 14(d) of the Securities Exchange Act; an issuer tender offer or other stock buyback by an issuer; or stock plan or equity repurchase agreement.

The SEC has provided specific guidance related to the creation of a basket of securities related to the creation or redemption of ETFs. For the purposes of counting market the following guidelines apply related to the creation or redemption of a basket:

- Purchases of securities by an authorized participant for the purpose of assembling a basket would count toward the identifying level;
- Transfers of those securities by an authorized participant to the ETF would not be counted towards the ETFs identifying activity level;
- Acquisitions of securities any authorized participant from the ETF would not count toward the authorized participant's identifying activity level; and
- Sales of Securities by an authorized participant into the secondary market would count toward the authorized participants identifying activity level.

Voluntary Registration – The definition of a Large Trader includes those persons that voluntarily register as large traders. Any Advisor that voluntarily files will be treated as a large trader for purposes of the rule, and will be subject to all of the obligations of a large trader under the rule, regardless of whether the requisite level of transactions is met.

13H Filings – There are six different types of 13H filings, Initial Filings; Annual Filing, Amended Filing, Inactive Status; Termination Filing; and Reactivated Status. These filings are submitted through EDGAR – each large Trader is given a Central Index Key ("CIK") number that uniquely identifies each filer and allows them to submit filings through EDGAR.

In some instances, particularly complex organizations, more than one related entity can qualify as a large trader. Examples may include holding companies or advisory firms that own multiple investment advisors, broker-dealers, sub-advisers, etc.

- **Initial Filing** – Generally, a large trader must file a Form 13H promptly after effecting aggregate transactions equal to or greater than the identifying activity level. The SEC has provided guidance related to appropriate timing and expects under normal circumstances to have the Form filed within 10 days of effecting aggregate transactions equal to or greater than the identifying activity.
- **Annual Filings** – Large traders must submit an Annual Filing within 45 days after the end of the full calendar year. Unless the trader has "Inactive Status" – which is discussed in the section below.
- **Amended Filings** – Large traders are required to file an amendment if any other information in a Form 13H filing becomes inaccurate. This amendment must be filed following the end of the calendar quarter in which the information became stale.
- **Inactive Status –** Rule 13h-1(b)(3)(iii) permits a large trader that has not effected aggregate transactions at any time during the previous full calendar year in an amount equal to or greater than the identifying amount to obtain an "Inactive Status" through a Form 13H filing. At that point, the Advisor is not required to file Form 13H or disclose its large trader status unless its transactions are again at or above the identifying activity level.
- **Reactivated Status –** A person on Inactive Status who effects aggregate transactions that are equal to or greater than the identifying activity threshold must file a "Reactivated Status" Form 13H after effecting such transactions. At this time the Advisor would have to notify its broker-dealers of its reactivated status.
- **Termination Filings** – If a large trader is terminating its operations and therefore there is no chance of it re-qualifying for large trader status, the Advisor may file a "Termination Filing".

While Section 13H filings will be processed through EDGAR, once filed, they will not be accessible through the website or otherwise be made publicly available.

### F. Financial & Disciplinary Disclosures

Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices.

The ability to view the Advisor's IARs backgrounds is on the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov by using their name or CRD# to search.

### G. Additional State Requirements

In addition to the standard filing requirements of the Form ADV there may be further filings required by certain States, such as notice filings required even if the Advisor is registered with the SEC. The Advisor will keep itself appraised of changes to State securities laws where they conduct business and submit any required State filings as applicable.

# 7. Books & Records

### A. Required Books & Records

The Advisor is required to make and keep certain books and records relating to its investment advisory business to document aspects of compliance and supervision of the Advisor's Compliance Program. This includes financial and accounting records, client account information, advertisements, and others as listed below. The Advisor's CCO is responsible for ensuring that the books and records are accurate and timely updated as needed or required. Applicable laws and regulations establish, and the Advisor enforces, the following requirements with regard to recordkeeping and communication:

- Financial statements, and all books and records on which they are based, must reflect all applicable transactions accurately and on a timely basis;
- All disbursements of funds and all receipts must be properly and promptly recorded;
- Records related to investment advice provided to clients and related transactions;
- Client agreements and other documentation related to client accounts and necessary authorizations to conduct business;
- The Code of Ethics for the Advisor which addresses personal securities transactions by Supervised Persons, if they also meet the definition of Access Person;
- Advertising and performance records;
- No false or artificial statements or entries may be made for any purpose in the Advisor's books and records or in any internal or external correspondence, memoranda or communication of any type, including telephone, wire or electronic communications;
- Retention of information and data must be timely and free from unauthorized alteration or use in accordance with legal requirements and operational policies and procedures; and
- Falsification of business documentation, whether it results in personal gain or not, is never permissible.

**Policy and Responsibilities**

It is the policy of the Advisor to retain all required documentation under the Books and Records Rule (Rule 204-2) of the Advisers Act. Documentation will be kept for a period of five (5) years from the end of the fiscal year in which an entry was made or published, with the most recent two (2) years being readily accessible from the Advisor's offices, as noted in Appendix B. Should the Advisor determine it will cease to conduct or discontinue its business as an invest advisor, it will coordinate and bear responsibility for the retention of the books and records required for a period of no less than three (3) years after closing.

**Separately back-up of records**

Advisors must "separately store… a duplicate copy of the record" on any electronic medium permitted by Rule 204-2(g). The Advisor implemented a Business Contingency Plan ("BCP") as a separate policy and procedure document of the Advisor's Compliance Program. The BCP describes the manner in which the Advisor maintains the separate backup copy of the record in a manner that would survive the inadvertent destruction of the original record.

Please see "Appendix B: Books & Records List" for a list of all required records retained by the Advisor.

# 8. Privacy & Information Security

**Overview**

The Advisor has developed the following policies and procedures to address its obligations to make and keep certain books and records relating to its investment advisory business and safeguard its digital documents.

### A. Information Security

The SEC has adopted amendments to the rule under Regulation S-P requiring Registered Investment Advisers adopt policies and procedures to address administrative, technical, and physical safeguards (the "Safeguard Rule") for the data security, integrity and confidentiality of customer records and information. The SEC has further required that policies and procedures take reasonable measures to protect against unauthorized access or use of the information in connection with its collection, storage, transmission and disposal (the "Disposal Rule").

To meet the standards of both the Safeguard and Disposal Rule, the Advisor has developed policies and procedures to apply security measures to reasonably safeguard its private client information during its course of ownership and through its disposal, such as shredding physical documents and coordinating with their technology service provider to destroy digital storage devices, as noted in the Advisor's Privacy Policy (described below). The Advisor will also apply firewalls, anti-virus and other information security tools as needed to safeguard client information. Should the Advisor become aware that unauthorized parties have accessed client information, the Advisor will take additional steps to stop and prevent further unauthorized access and contact any clients impacted to notify them of potential fraudulent activity in their name or accounts.

### B. Cybersecurity

The Cybersecurity is a separate policy and procedure document of the Advisor's Compliance Program. The Advisor has adopted this Cybersecurity Policy ("Policy") to provide guidance to the Advisor's employees, contractors and those subject to the Advisor's compliance program (collectively "Supervised Persons") for the storage or transmission of confidential digital information. It is the objective of this Policy to describe the safeguards and procedures for ensuring that information entrusted to the Advisor by its clients is not acquired or transmitted by any unauthorized individual or entity. This Policy is also intended to address suspected privacy policy breaches pursuant to Regulation S-P in addition to identity theft red flags and how those red flags are addressed pursuant to Regulation S-ID.

The Advisor has assigned the Advisor's Chief Compliance Officer ("CCO") as the individual with primary responsibility for implementing and revising this Policy ("Responsible Person"). The Responsible Person may delegate all or a portion of these responsibilities to a delegate of their choice, so long as that delegate is an employee of the Advisor or a third-party entity that is reasonably capable of implementing this Policy.

### C. Client Privacy

The Advisor values its relationship with its clients as the most important asset. The Advisor understands that clients have entrusted the Advisor with their private information, and the Advisor will do everything that we can to maintain that trust. The Advisor protects the security and confidentiality of the personal client information. The Advisor has and will implement controls to ensure that such information is used for proper business purposes in connection with the management or servicing of the Advisor's client relationships.

The Advisor does not sell client non-public personal information to anyone. Nor does the Advisor provide such information to others except for discrete and reasonable business purposes in connection with the servicing and management of the Advisor's client relationships or as required by law, as discussed below.

Details of our approach to privacy and how your personal non-public information is collected and used are set forth in the Advisor's Privacy Policy, which can be obtained upon request. The

Privacy Policy is required to be delivered annually to clients of the Advisor, and is typically provided at the same time of the Disclosure Brochure delivery to clients.

### D. Red Flags

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act") amended certain parts of the Fair Credit Reporting Act ("FCRA") and transferred authority over certain parts of the FCRA to the SEC and CFTC for entities they regulate. Section 615(e)(1)(A) and (B) of the FCRA, as amended by the Dodd Frank Act, required that the SEC and CFTC jointly establish and maintain guidelines for *financial institutions* and *creditors* regarding identity theft and prescribe rules requiring such institutions and creditors to establish such reasonable policies and procedures for the implementation of those guidelines. Accordingly, on April 19, 2013, the SEC and the CFTC jointly issued identity theft red flag rules, Regulation S-ID ("Reg S-ID" or the "Rule"). Reg S-ID requires certain financial institutions to establish an identity theft red flags program designed to detect, prevent, and mitigate identity theft.

A *Financial Institution*, pursuant to Reg S-ID, includes an entity registered with the SEC or the CFTC, (including registered investment advisors and broker-dealers) which directly or indirectly holds transaction account(s) belonging to an individual. A *transaction account* is defined in section 19(b) of the Federal Reserve Act as ''a deposit or account on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders or withdrawal, telephone transfers, or other similar items for the purpose of making payments or transfers to third parties or others'' 12 U.S.C. 461(b)(1)(C). For our purpose, a transaction account becomes any account where the individual can personally make payments to third parties or direct the advisor to make payments.

In the Rule release, the Commissions provide a few examples including, an investment adviser that directly or indirectly holds transaction accounts and that is permitted to direct payments or transfers out of those accounts to third parties. The Commissions explain in that even if an investor's assets are physically held with a qualified custodian, an adviser that has authority, by power of attorney or otherwise, to withdraw money from the investor's account and direct payments to third parties according to the investor's instructions would hold a transaction account.

There are four key elements that advisors must address in their Identity Theft Prevention Program (ITPP), including:

1. Identifying relevant red flags
2. Detecting red flags
3. Responding appropriately to red flags
4. Maintaining the ITPP

Advisors must determine which red flags are relevant to their businesses and the covered accounts they manage over time. There is no specific list of red flags that are mandatory and no specific policies and procedures are required. However, a list of factors that the entity should consider (with examples) is included in the guidelines from the Commissions along with an expectation that entities will respond and adapt to new forms of identity theft and the related risks as they arise.

1. Identifying relevant red flags

An advisor must periodically determine whether it offers or maintains covered accounts by conducting a risk assessment of their ITPP, including the *risk factors*, *sources,* and *categories* of Red Flags.

*Risk factors* include the types of covered accounts the advisor offers or maintains, the methods it provides to open or access its covered accounts, and its previous experiences with identity theft.

*Sources* of Red Flags include incidents of identity theft that the advisor has experienced, methods of identity theft that have been identified as a result of changes in identity theft risks, and applicable regulatory guidance.

*Categories* of Red Flags include alerts, notifications, or other warnings received from consumer reporting agencies or service providers (such as fraud detection services) as well as suspicious documents and other customer unusual conduct or requests.

A red flag is a transaction that a Supervised Person knows or suspects to:

- Involve proceeds from an illegal activity
- Evade currency transaction reporting requirements
- Vary significantly from the client's normal investment activities
- Have no business or apparent lawful purpose and knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

2. Detect Red Flags

The ITPP should address the detection of Red Flags in connection with the opening of covered accounts and existing covered accounts by: (i) obtaining identifying information about, and verifying the identity of, a person opening a covered account and (ii) authenticating customers, monitoring transactions, and verifying the validity of change of address requests for existing covered accounts.

3. Responding appropriately to Red Flags
The ITPP should provide for appropriate responses to the Red Flags that the advisor has detected. Appropriate responses may include, but are not limited to, monitoring covered account(s), contacting the client, changing security settings, closing the account(s), and/or notifying custodian(s) and law enforcement, as appropriate.

4. Maintaining the ITPP
Advisors must update the ITPP (including the relevant Red Flags) periodically, to reflect changes in risks to clients or to the safety and soundness of the advisor from identity theft, based on factors such as the advisor's experiences with identity theft, changes in methods of identity theft, and changes in the advisor's business.

**Policy and Business Activities**
The Advisor will determine which identity theft red flags are relevant to their business and ensure there are reasonable controls in place to detect those red flags. The Advisor will document their response to any red flags detected and incorporate those experiences when considering updates to the way they detect and respond to red flags.

## 9. Business Continuity Plan

The Business Continuity Plan ("BCP") is a separate policy and procedure document of the Advisor's Compliance Program. The Advisor recognizes the importance of ensuring continuity of operations in the event of an interruption of services that may result from terrorism, natural disaster or otherwise. As a result, the Advisor has adopted the BCP to enable continuation of operations and access to necessary information within a reasonable period of time. It is the responsibility of each Supervised Person to read, understand and keep available, the BCP to aid in the event of a disruption.

The Advisor's BCP memorializes the critical operations as well as a process to get these operations up and running during a wide-scale disruption or inaccessibility of staff. In addition, the Advisor tests both the internal and external continuity arrangements to ensure that each is effective and compatible with the Advisor's business. The plan addresses several business areas, including, but not limited to, books and records back-up and recovery, mission critical systems, financial and operational assessments, alternate communications methods, counter-party impact, key person contingency, regulatory reporting, and communications with regulators.

The Advisor has addressed the following important concepts in well-defined terms within the BCP:

1. Fiduciary Responsibility
2. Disaster Recovery
3. Key Person Risk
4. BCP Testing

## 10. Certification of the Compliance Manual

Supervised Persons are required to read and certify their understanding and willingness to comply with the Compliance Manual. Certifications are provided online through our compliance support firm AdvisorAssist, LLC. Certifications will be administered by or on behalf of the CCO.

## Appendix A: Key Definitions

The following core definitions are used throughout this Compliance Manual. Additional definitions are included in various sections of the Compliance Manual.

| Term | Definition |
|---|---|
| Advisers Act | Federal law regulating certain investment advisory activities. Complimentary to state law. Full title is Investment Adviser's Act of 1940, as amended. |
| Advisor | A registered investment advisor, authorized by state or federal regulator to give investment advice, for compensation, to various clients. Can be entity or sole proprietorship. |
| Access Person | Supervised Persons of the Advisor that have access to non-public trading information or client information, or who are involved in making securities recommendations to clients, or who have access to such recommendations that are nonpublic.<br><br>If providing investment advice is the primary business of the Advisor, all directors, officers and partners are presumed to be Access Persons unless the Advisor can demonstrate the above factors do not apply to the individual.<br><br>Rule Reference: Advisers Act 204A-1 |
| Advertisement | Defined as any notice, circular, letter or other written communication addressed to more than one person, or any notice or other announcement in any publication or by radio or television, which offers<br>(1) any analysis, report, or publication concerning securities, or which is to be used in making any determination as to when to buy or sell any security, or which security to buy or sell, or<br>(2) any graph, chart, formula, or other device to be used in making any determination as to when to buy or sell any security, or which security to buy or sell, or<br>(3) any other investment advisory service with regard to securities.<br><br>Rule Reference: Advisers Act 206(4)-1 |
| Annual Amendment or Renewal | The requirement of registered investment advisors to update and amend their Form ADV Disclosure Brochure within 90 days after their firm's fiscal year end and deliver to clients within 120 days after their firm's fiscal year end.<br><br>Rule Reference: Advisers Act 204-1 |
| Annual CCO Report | A formal document that is intended to memorialize your efforts to monitor activities related to regulatory compliance, test the efficacy of your procedures and controls, and seek opportunities for improvement.<br><br>Rule Reference: Advisers Act 206(4)-7 |
| Assets Under Management | Also known as "AUM". The value of assets held in securities portfolios to which the Advisor provides continuous and regular supervisory or management services. AUM is reported in the Advisor's Form ADV Part 1 Item 5 and Part 2A Item 4.<br><br>Rule Reference: Advisers Act 203A-3 |
| Best Execution | The duty to execute client transactions in a manner where total costs or proceeds are most favorable under the circumstances. This is not specific to prices. |
| bona fide | A determination or evaluation made in good faith that is neither counterfeit nor seemingly unfair. Latin for "good faith". |
| Brochure Supplement | Also known as Form ADV Part 2B. The Brochure Supplement is a disclosure document that provides information about individuals of the registered investment advisor that have discretionary authority over client assets or who provide advice to clients. |

| Term | Definition |
|---|---|
| | Rule Reference: Advisers Act 204-3 |
| Business Continuity Plan | The document containing the policies and procedures for continuing business operations in the wake of a disaster or disruption to normal business operations. |
| Chief Compliance Officer | An individual that is responsible for administering and enforcing a Registered Investment Advisor's compliance program. The CCO may delegate responsibilities to appropriate designees as long as he/she remains primarily responsible for compliance oversight and administration.<br><br>The CCO must be empowered with full authority to develop and enforce your firm's compliance policies and procedures.<br><br>The CCO and designees must be competent and knowledgeable regarding the Investment Advisers Act of 1940 as well as any securities laws that apply to your investment process.<br><br>Rule Reference: Advisers Act 206(4)-7 |
| Client | An individual or entity, other than the Advisor, that engages the Advisor to receive investment advice. |
| Code of Ethics | Compliance Program document that provides a standard of business conduct to be upheld by its Supervised Persons of the Advisor, such as disclosing outside business activities, personal securities statements, and others.<br><br>Rule Reference: Advisers Act 204A-1 |
| Compliance Program | A set of regulatory policies and procedures that document an advisor's compliance responsibilities. An advisor's compliance program typically consists of: compliance manual, code of ethics, privacy policy and business continuity plan.<br><br>Rule Reference: Advisers Act 206(4)-7 |
| Custody | To have custody is to be the primary caretaker, charged with the responsibility of guardianship and safekeeping. Within investment management this typically means the assets of a client that are under management.<br><br>Rule Reference: Advisers Act 206(4)-2 |
| De minimis | A term to describe the minimum amount to trigger a reporting or documentation action. For example, if the Advisor gives or receives a gift below the de minimis amount, it does not need to be documented in the gifts log file. |
| Disclosure Brochure | Form ADV Part 2A. Disclosure document that provides information about the services, fees and conflicts of interest of the registered investment advisor. Delivered to clients when the join the firm and annually after the renewal update.<br><br>Rule Reference: Advisers Act 203-1 |
| ERISA | The Employee Retirement Income Security Act of 1974, or "ERISA", describes a specially created investment standard for private pension programs. |
| Fiduciary Duty | Prohibits the advisor from engaging in any practice that is fraudulent, deceptive or manipulative. Includes duty of loyalty to client, having reasonable and objective bases for investment recommendations, and duty to ensure recommendations are appropriate. Creates an obligation to put the client's needs before the needs of the advisor.<br><br>Rule Reference: Advisers Act Section 206 |
| Investment Advisor Representative (IAR) | Persons employed by the Advisor who contribute to and deliver advice to clients and other contracted services to clients, or employees who solicit new clients. |
| Large Trader | A person, firm or individual whose transactions in "NMS securities" equal or exceed |

| Term | Definition |
|---|---|
| | 2 million shares or $20 million during any calendar day, or 20 million shares or $200 million during any calendar month.<br><br>Rule Reference: Securities and Exchange Act of 1934 Section 240.13h-1 |
| NMS Security | Any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options. This would generally include any security or class of securities listed on national exchanges or traded through NASDAQ, including equities and options (e.g., common stock, ETFs, ADRs, etc.)<br><br>Rule Reference: Securities and Exchange Act of 1934 Section 240.13h-1 |
| Privacy Policy | The document containing the policies and procedures for the exchange of private client information.<br><br>Rule Reference: Reg S-P |
| Proxy Vote | Proxy voting is the mechanism for shareholders to participate in company elections and decision making without attending meetings held where elections and certain company decisions are put to vote of shareholders.<br><br>Rule Reference: Advisers Act 206(4)-6 |
| Qualified Client | A natural person who, or a company that, immediately after entering into the contract has at least $1,000,000 under management of the advisor, or<br><br>A natural person who, or a company that, the investment advisor becoming a client reasonably believes, immediately prior to entering into the agreement, either has a net worth of more than $2,000,000 or is a Qualified Purchaser as defined by Section 2(a)(51)(A) of the Investment Company Act, or<br><br>A natural person who immediately prior to entering into the agreement, is an executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment advisor; or a supervised person of the advisor.<br><br>Rule Reference: Advisers Act 205(a)(1) |
| Qualified Purchaser | Definition from Investment Company Act as referenced by definition of Qualified Client above.<br><br>(i) any natural person (including any person who holds a joint, community property, or other similar shared ownership interest in an issuer that is excepted under section 80a–3 (c)(7) of this title with that person's qualified purchaser spouse) who owns not less than $5,000,000 in investments, as defined by the Commission;<br><br>(ii) any company that owns not less than $5,000,000 in investments and that is owned directly or indirectly by or for 2 or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons;<br><br>(iii) any trust that is not covered by clause (ii) and that was not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (i), (ii), or (iv); or<br><br>(iv) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than $25,000,000 in investments. |

| Term | Definition |
|---|---|
| | Rule Reference: Investment Company Act of 1940 Section 2(a)(51)(A) |
| Soft Dollars | A relationship between an Investment Advisor and their Brokerage where the Advisor receives services from the Brokerage in return for commission-based business being directed to that Brokerage. |
| Solicitor | A person who, directly or indirectly, solicits clients for the Advisor and provides a disclosure statement to the referred prospective candidate based upon terms of the solicitor agreement signed with the Advisor.<br><br>Rule reference: Advisers Act 206(4)-3 |
| Suitability | Determining the reasonably appropriate investment decisions or advice for each particular client. |
| Supervised Person | All person(s) subject to the Compliance Program of the Advisor, typically includes all employees of the Advisor, solicitors, and independent contractors.<br><br>Formally defined as “any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.”<br><br>Rule Reference: Advisers Act Section 202(25) |
| Testimonial | Prohibited form of advertising involving direct or indirect references to statements of former or prospective client experiences or endorsements of Advisor’s services.<br><br>Rule Reference: Advisers Act 206(4)-1 |
| Whistleblower | Any individual who provides, or 2 or more individuals acting jointly who provide, information relating to a violation of the securities laws to the [SEC], in a manner established, by rule or regulation, by the [SEC].<br><br>Rule Reference: Dodd-Frank Wall Street Reform and Consumer Protection Act Section 922 (amending the Securities Exchange Act of 1934) |

## Appendix B: Books & Records List

The Advisor's books and records must be retained for at least five years from the end of the fiscal year in which the record was modified or used, two years of which must be immediately accessible from the office of the Advisor.

| Category | Record Name | Description |
|---|---|---|
| 2. Supervision | Cash Journals | A journal (or journals) including cash receipts and disbursements, records, and any other records of original entry forming the basis of entries in any ledger |
| 2. Supervision | Balance Sheet and Income Statement | General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts |
| 2. Supervision | Banking Information | All checkbooks, bank statements, cancelled checks and cash reconciliations for your firm |
| 2. Supervision | Business Expenses | All bills or statements (paid or unpaid) relating to the business of your firm |
| 2. Supervision | Other Financial Statements | All trial balances, financial statements, and internal audit working papers relating to the business of the advisor. |
| 2. Supervision | Code of Ethics | Copies of your firm's Code of Ethics (both current and past). |
| 2. Supervision | Code of Ethics Violations | A record of any violation of the Code of Ethics, and of any action taken as a result of the violation. |
| 2. Supervision | Code of Ethics Acknowledgements | A record of all written Code of Ethics acknowledgments from supervised persons (current and past). |
| 2. Supervision | Personal Trading Reports | A record of each personal trading report made by an access person. |
| 2. Supervision | Access Person List | A record of the names of persons who are currently, or within the past five years, were access persons of the investment advisor. |
| 2. Supervision | Personal Securities Trading Exception Reports | A record of any decision, and the reasons supporting the decision, to approve the acquisition of securities by access persons under Rule 204A-1(c). |
| 2. Supervision | Outside Business Activity Reports | A record of any requests for approval for outside business activities. |
| 2. Supervision | Compliance Manual | A copy of the investment advisor's policies and procedures formulated pursuant to Rule 206(4)-7(a) of this chapter that are in effect or at any time within the past five years they were in effect. |
| 2. Supervision | Annual CCO Report | Any records documenting the investment advisor's annual review of those policies and procedures conducted pursuant to Rule 206(4)-7(b) of this chapter. |

| Category | Record Name | Description |
|---|---|---|
| 2. Supervision | Covered Associates List | The names, titles and business and residence addresses of all covered associates of the investment advisor. |
| 2. Supervision | Organization Documents | Partnership articles and any amendments thereto, articles of incorporation, charters, minute books, and stock certificate books of the investment advisor and of any predecessor, shall be maintained in the principal office of the investment advisor and preserved until at least three years after termination of the enterprise. |
| 2. Supervision | Employment Agreements | All written agreements (or copies thereof) entered into by the investment advisor with any client, or otherwise relating to the business of such investment advisor as such. |
| 2. Supervision | Business Contracts & Leases | All written agreements (or copies thereof) entered into by the investment advisor with any client, or otherwise relating to the business of such investment advisor as such. |
| 3. Regulatory Filings | Disclosure Brochures | A copy of each written statement and each amendment or revision thereof, given or sent to any client or prospective client of such investment advisor in accordance with the provisions of Rule 204-3 under the Act, and a record of the dates that each written statement, and each amendment or revision thereof, was given, or offered to be given, to any client or prospective client who subsequently becomes a client. |
| 4. Client Management | Client Correspondence | Originals of all written communications received and copies of all written communications sent by such investment advisor relating to (i) any recommendation made or proposed to be made and any advice given or proposed to be given, (ii) any receipt, disbursement or delivery of funds or securities, or (iii) the placing or execution of any order to purchase or sell any security. |
| 4. Client Management | Client List | A list or other record of all accounts in which the investment advisor is vested with any discretionary power with respect to the funds, securities or transactions of any client. |
| 4. Client Management | Client Agreements and IPS | All written agreements (or copies thereof) entered into by the investment advisor with any client or otherwise relating to the business of such investment advisor as such. |
| 4. Client Management | Disclosure Brochure Delivery | A record of the dates each Disclosure Brochure was distributed to clients or prospective clients. |
| 4. Client Management | Privacy Policy Delivery | A record of the dates each Privacy Policy was distributed to clients. |

| Category | Record Name | Description |
|---|---|---|
| 4. Client Management | Government Clients | All government entities to which the investment advisor provides or has provided investment advisory services, or which are or were investors in any covered investment pool to which the investment advisor provides or has provided investment advisory services, as applicable, in the past five years, but not prior to September 13, 2010. |
| 4. Client Management | Political Contributions | All direct or indirect contributions made by the investment advisor or any of its covered associates to an official of a government entity, or direct or indirect payments to a political party of a State or political subdivision thereof, or to a political action committee. |
| 4. Client Management | Solicitors to Government Entities | The name and business address of each regulated person to whom the investment advisor provides or agrees to provide, directly or indirectly, payment to solicit a government entity for investment advisory services on its behalf, in accordance with § 275.206(4)-5(a)(2). |
| 5. Portfolio Management & Trading | Order Tickets | Memorandum of each order given for purchase or sale of securities. |
| 5. Portfolio Management & Trading | Powers of Attorney | All powers of attorney and other evidences of the granting of any discretionary authority by any client to the investment advisor, or copies thereof. |
| 5. Portfolio Management & Trading | Performance | All accounts, books, internal working papers, and any other records or documents that are necessary to form the basis for the calculation of the performance or rate of return of any or all managed accounts or securities recommendations in any notice distributed, directly or indirectly, to 10 or more persons (other than persons connected with such investment advisor) |
| 5. Portfolio Management & Trading | Custody Trading Details | A journal or other record showing all purchases, sales, receipts and deliveries of securities (including certificate numbers) for such accounts and all other debits and credits to such accounts. |
| 5. Portfolio Management & Trading | Custody | A separate ledger account for each such client showing all purchases, sales, receipts and deliveries of securities, the date and price of each purchase and sale, and all debits and credits. |
| 5. Portfolio Management & Trading | Custody Confirmations | Copies of confirmations of all transactions effected by or for the account of any such client. |
| 5. Portfolio Management & Trading | Custody Position Reports | A record for each security in which any such client has a position, which record shall show the name of each such client having any interest in such security, the amount or interest of each such client, and the location of each such security. |

| Category | Record Name | Description |
|---|---|---|
| 5. Portfolio Management & Trading | Custody Independence Memo | A memorandum describing the basis upon which you have determined that the presumption that any related person is not operationally independent has been overcome. |
| 5. Portfolio Management & Trading | Transaction Journals | Records showing separately for each such client the securities purchased and sold, and the date, amount and price of each such purchase and sale. |
| 5. Portfolio Management & Trading | Portfolio Reports | For each security in which any such client has a current position, information from which the investment advisor can promptly furnish the name of each such client, and the current amount or interest of such client. |
| 5. Portfolio Management & Trading | Proxy Voting Policies and Procedures | Copies of all policies and procedures required by Rule 206(4)-6. |
| 5. Portfolio Management & Trading | Proxy Statements | A copy of each proxy statement that the investment advisor receives regarding client securities. An investment advisor may satisfy this requirement by relying on a third party to make and retain, on the investment advisor's behalf, a copy of a proxy statement (provided that the advisor has obtained an undertaking from the third party to provide a copy of the proxy statement promptly upon request) or may rely on obtaining a copy of a proxy statement from the Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. |
| 5. Portfolio Management & Trading | Proxy Voting Backup | A copy of any document created by the advisor that was material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision. |
| 5. Portfolio Management & Trading | Proxy Voting Records | A record of each Proxy Vote cast by the investment advisor on behalf of a client. An investment advisor may satisfy this requirement by relying on a third party to make and retain, on the investment advisor's behalf, a record of the vote cast (provided that the advisor has obtained an undertaking from the third party to provide a copy of the record promptly upon request). |
| 5. Portfolio Management & Trading | Proxy Request | A copy of each written client request for information on how the advisor voted proxies on behalf of the client, and a copy of any written response by the investment advisor to any (written or oral) client request for information on how the advisor voted proxies on behalf of the requesting client. |

| Category | Record Name | Description |
|---|---|---|
| 5. Portfolio Management & Trading | Soft Dollar Agreements | All written agreements (or copies thereof) entered into by the investment advisor with any client or otherwise relating to the business of such investment advisor as such. |
| 5. Portfolio Management & Trading | Directed Brokerage Agreements | All written agreements (or copies thereof) entered into by the investment advisor with any client or otherwise relating to the business of such investment advisor as such. |
| 5. Portfolio Management & Trading | Forms 13D, 13G and 13F | A copy of each 13D, 13G, and 13F filing. |
| 6. Advertising & Marketing | Advertising | A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the investment advisor circulates or distributes, directly or indirectly, to 10 or more persons (other than persons connected with such investment advisor), and if such notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication recommends the purchase or sale of a specific security and does not state the reasons for such recommendation, a memorandum of the investment advisor indicating the reasons therefor. |
| 6. Advertising & Marketing | Solicitor Documents | All written acknowledgments of receipt obtained from clients pursuant to Rule 206(4)-3(a)(2)(iii)(B) and copies of the disclosure documents delivered to clients by solicitors pursuant to Rule 206(4)-3. |