

## Introduction

The Firm shall designate a qualified individual to oversee the preparation and updating of written policies and procedures and to conduct periodic audits and assessments of the business being conducted by the Firm and the conduct of its investment adviser representatives and supervisory personnel. If possible, this individual should be independent of the Firm's trading and portfolio management operations.

### 2.01 Designation of Responsibility

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In accordance with *Section 203(e)(5) of the Advisers Act*, the Firm is responsible for ensuring adequate supervision over the activities of all persons who act on its behalf. Specific duties include, but are not limited to:

- Establishing procedures that could be reasonably expected to prevent and detect violations of the law by its advisory personnel;
- Analyzing its operations and creating a system of controls to ensure compliance with applicable securities laws;
- Ensuring that all advisory personnel fully understand the Firm's policies and procedures; and,
- Establishing an adequate review system designed to provide reasonable assurance that the Firm's policies and procedures are effective and are being followed.

### 2.02 Supervisory Systems

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The Firm shall establish and maintain a system to supervise the activities of its investment adviser representatives and associated persons. At a minimum the Firm's internal supervisory system shall include the following:

- Establish and maintain written procedures;
- Designate one or more appropriately registered principals, with supervisory responsibility, to supervise the Firm's overall investment advisory business;
- Assign each associated person to an appropriately registered supervisor who is responsible for supervising such person's activities;
- Make reasonable efforts to ensure that each person with supervisory responsibility is qualified via experience or training to carry out such supervisory duties;
- Designate and specifically identify each supervisor who shall review the Firm's supervisory systems, procedures and internal inspections;
- Designate and specifically identify each supervisor who shall take and or recommend appropriate action to senior management that is designed to achieve compliance with all applicable securities rules and regulations.

Supervision of Advisory Affiliates will be coordinated with supervision of the Firm's registered representatives whenever possible.

### 2.03 Written Supervisory Procedures

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The Firm shall establish, maintain and enforce written supervisory procedures which are reasonably designed to:

- Supervise the activities of the Firm's investment advisory business;
- Supervise the activities of all associated persons and investment adviser representatives;
- Achieve compliance with all applicable federal and state laws and regulations regarding investment advisory activities.

### **Issuance of Internal Policies/Procedures**

The designated supervisor of the Firm shall issue each investment adviser representative a current written (or in some other acceptable format) of the Firm's Investment Adviser Compliance and Supervisory Procedures ("Manual") during the initial stages of employment. Upon receipt of the Firm's Manual, each investment adviser representative will be responsible for signing a written letter of acknowledgement stating that such procedures were received, read and understood. ►►

#### **Implementation Strategy**

The designated supervisor is responsible for reviewing the Firm's Manual periodically, or at least annually, to ensure that the Manual adequately covers all required areas. The designated supervisor will also ensure that every investment advisor representative has received, read and understood the manual. As well as sign an acknowledgement and confirmation of compliance with the Firm's internal policies and procedures.

## **2.04**

### **General Responsibilities of Supervisory Personnel**

The Firm regards supervision as a critical focus area for ensuring compliance in investment advisory business activities and operations. The designated supervisor(s) responsible for the supervision of others should take added steps to carefully supervise the activities and individuals under their immediate supervision in accordance with federal and state rules and regulations as they pertain to investment advisory business.

Therefore, the Firm has created an internal supervisory structure that details the role and responsibilities of each designated supervisor of the Firm:

#### **Delegation of Responsibilities**

If a designated supervisor is unable to perform certain supervisory or approval obligations, they may delegate such supervisory responsibilities to another person if person is appropriately registered. Upon delegation, the designated principal should ensure that each registered person understands the recently assigned delegated responsibilities and must review the performance of each person assigned with such a responsibility. All delegation of responsibilities, to include the names, tasks, and dates of delegation will be documented and maintained at main office location.

Specific duties of the individual designated to oversee the compliance functions described above shall include, but are not limited to:

- Preparing and updating written policies and procedures on behalf of the Firm conducting compliance training for new and existing employees;
- Drafting procedures to document the monitoring and testing of compliance through internal audits; and,

- Implementing of any policies needed to ensure that training and internal assessment procedures are updated to reflect changes in applicable laws, regulations and administrative positions.

### **Role of the Designated Supervisor**

The designated supervisor has several critical roles in the Firm as described below:

- The designated supervisor sets the standard for the sales practices of the investment adviser representatives in accordance with federal and state rules and regulations governing investment adviser activities;
- The designated supervisor shall inspire both investment adviser representatives and associated personnel to adhere to the Firm's internal standards to achieve the Firm's overall goals;
- The designated supervisor may also have a teaching role concerning appropriate sales practices as well as general administration and operational functions.

### **Appointment of Chief Compliance Officer**

In accordance with Rule 206(4)-7, the Firm will designate a chief compliance officer (CCO) to administer its compliance policies and procedures. The Firm's CCO shall be competent and knowledgeable regarding the Advisers Act and will be empowered with full responsibility and authority to develop and enforce appropriate policies and procedures for the Firm. Thus, the CCO will have a position of sufficient seniority and authority within the organization to compel others to adhere to the compliance policies and procedures.

## **2.05 Internal Inspections—BRANCH INSPECTIONS**

The Firm shall conduct an internal review of the Home Office on an annual basis. The Firm will also review all branch offices on a scheduled cycle (or unannounced if necessary). The review is to be reasonably designed and conducted for the purposes of assisting designated personnel on maintaining compliance and detecting and preventing potential violations of applicable securities rules. The Firm shall also preserve all relevant records that evidence the date(s) upon which each review and inspection was conducted.

Securities broker-dealer records and investment advisory records will be inspected at the same time if the Advisory Affiliate is a registered representative. Compliance audits of registered representatives who are Advisory Affiliates will include a compliance audit of the Advisory Affiliates with respect to their investment advisory activities. The inspection and audit's objective will be to determine if applicable laws, regulations and internal firm procedures are being complied with and whether proper disclosure is being made to clients including disclosure as to any conflicts of interest.

When establishing the frequency of review for conducting internal inspections, the Firm must take into consideration the following factors:

- Nature and complexity of the activities being conducted at each location;
- Amount of volume being conducted at such location;
- Number of associated persons conducting business from such location. ►►

### **Implementation Strategy**

The designated supervisor or other authorized person shall conduct an internal review of the Firm's Home Office to include a review of internal accounts, files and other relevant documentation on a regular and continuous basis.

The offices of Advisory Affiliates who actively manage accounts will be inspected every two years. The frequency of inspection regarding the all other offices shall apply to the following office classifications:

- Supervisory Branch Office (supervises one or more non-branch locations)- Annually
- Branch Office (does not supervise one or more branch office locations)- Every three years
- Satellite Office (unregistered FINRA office)- Office locations with annual production levels of \$50,000 or greater are examined every three years. Satellite office locations with annual production levels less than \$50,000 are examined every five years.

All reports referencing internal inspections and/or reviews shall be reviewed and signed as evidence of completion.

## **2.06 Supervision of Transactions**

### **Review of Transactions**

The Firm is responsible for establishing procedures for the review and approval of transactions effected by the Firm's investment adviser representatives. The procedures shall ensure that the review and approval is done by a designated supervisor and is evidenced in writing on an internal record.

### **Suitability Review**

Before a new account is established, the Firm will make a reasonable effort to ensure that any recommended product is suitable for the individual customer. In determining customer suitability, the Firm will evaluate the following customer information:

- Financial status;
- Tax status;
- Investment objectives;
- Previous investment experience;
- Age and occupation.

### **Inactively Traded Accounts**

The Firm will periodically review client accounts with limited or no trading activity to ensure they are being managed in a manner that is consistent with the client's investment objectives and that warrants continued management as advisory accounts.

## **2.07 Customer Account/Investor Profile Review**

### **New Customer Accounts**

It is the responsibility of the designated supervisor to review new accounts that are opened. The designated principal should make a reasonable effort to obtain additional information from the investment adviser representative or client if necessary. The following is a list of some of the items that the designated supervisor should verify regarding new account information.

#### **General Account/Investor Profile Review**

- Name of the customer or the account number;
- Information as to if the customer is of legal age;
- Signature of registered rep introducing the account;
- Signature of principal approving the account;
- Name of person(s) authorized to transact activity in the account;
- Customer SSN or Tax ID;
- Customer occupation, employer's name & address;
- Customer's financial status, net income, liquid net worth etc.;
- Customer's tax status;
- Customer's investment objectives;
- Other information that is reasonable for recommendations to the customer. ►►

##### **Implementation Strategy**

The designated supervisor will review customer new account form information and/or investor profile information to ensure proper completion and accuracy as well as suitability issues.

## **2.08 Business Continuity Planning**

In light of the Firm's fiduciary duties to its clients and expectations of its clients, the Firm shall establish a process for responding to emergencies and disasters ("Business Continuity Plan"). The establishment of a Business Continuity Plan should focus, at a minimum, on the types of disasters that could occur and the potential impact each would have on the Firm's business and investment operations as well as the people that provide services to the Firm.

The Business Continuity Plan should include the possibility of a future significant business disruption and how the Firm plans to respond to events of varying scope, in addition to establishing appropriate provisions for handling a large number of factors that are likely to arise in the event of a disaster or dislocation including, but not limited to, the following key elements: (i) employees; (ii) clients; (iii) physical facilities; (iv) communications; (v) information resources; (vi) business operations (vii) regulatory concerns (viii) outside service agents; and (ix) financial resources.

The Firm must address the above-listed categories to the extent applicable and necessary. If any of the above-listed categories is not applicable, the Firm's business continuity plan need not address the category. The Firm's business continuity plan, however, must document the rationale for not including such category in its plan. If the firm relies on another entity for any one of the above-listed categories or any mission critical system, the firm's business continuity plan must address this relationship. ►►

*Note: Please see the Firm's Business Continuity Plan and Disclosure Statement for further details.*

##### **Implementation Strategy**

The designated supervisor is responsible for reviewing and updating the Firm's current Business Continuity Plan to ensure that the Plan is accurate and meets

all relevant key elements as specified above. Additionally, as and when appropriate, the designated supervisor will update the Plan with any material changes. The Plan will be maintained and filed at the Firm's principal place of business in accordance with books and records requirements.

## **2.09 Due Diligence of Third-Party Service Providers**

Unaffiliated third-parties help the Firm provide investment advisory services to Clients and Investors. The failure of a third-party service provider to meet its contractual obligations could damage the Firm's reputation, cause violations of the Federal Securities Laws, and/or harm the Firm's Clients or Investors.

The Firm has established the following guidelines to mitigate these risks.

### **Policy**

The Firm will conduct due diligence prior to retaining any third-party service providers that are involved in the Firm's provision of investment advisory services, or that have contact with Clients or Investors. The Firm will maintain any documentation associated with this due diligence process.

The CCO will determine who within the Firm will oversee the due diligence process and monitoring of the Firm's various third-party service providers. The designated Employee shall strive to:

- Ensure that they understand the specific services to be provided;
- Ensure that the service provider's obligations are described in detail in a written contract executed by the provider;
- Ensure that the cost of services is reasonable relative to the value, particularly with respect to any services paid for by Clients;
- Review the provider's service levels at least annually. While such reviews may be informal, the responsible Employee should, at a minimum, elicit feedback from those Employees who actually use the services. More detailed reviews of service providers, including the review of due diligence questionnaires, may be conducted, as necessary. Such reviews may address, as applicable,
  - The service provider's satisfaction of contractual obligations;
  - The cost of the service;
  - The service provider's responsiveness to the Firm;
  - Whether technology used by the service provider enhances or impedes services provided;
  - The service provider's organizational structure;
  - The service provider's institutional resources;
  - The service provider's internal controls;
  - The service provider's business continuity plans;
  - Conflicts of interest between the service provider and the Firm or Clients;
  - Any changes since the time of the last review affecting the provider or the services under consideration;
  - Any anticipated changes that will affect the provider or the services under consideration; and
  - Any other applicable considerations.

- Notify the CCO when each review is complete. The responsible Employee should tell the CCO about any material findings and should provide the CCO with copies of any documentation or work papers associated with the review.

If any Employee believes that a third-party service provider is not meeting its contractual obligations, or is otherwise providing inadequate services, he or she should promptly report the issue to the CCO.