

Emerald Advisers, LLC

3175 Oregon Pike
Leola, PA 17540
717-556-8900
www.teamemerald.com

December 31, 2024

This brochure provides information about the qualifications and business practices of Emerald Advisers, LLC. If you have any questions about the contents of this brochure, please contact us at (717) 396-1116 or jmeehan@teamemerald.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Emerald Advisers, LLC is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Emerald Advisers, LLC. also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

The SEC adopted “Amendments to Form ADV” in July 2010. As you will see, Form ADV part 2 is substantially different than the previous version.

Material Developments at Emerald Advisers, LLC

This section of the brochure will be used to address material changes since our last delivery or posting on the SEC’s public website.

Consistent with the rule, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Additionally, we will provide you with other interim disclosure about material changes as necessary.

Item 3	Table of Contents	Page
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	6
Item 6	Performance-Based Fees and Side-By-Side Management	7
Item 7	Types of Clients	7
Item 8	Methods of Analysis, Investment Strategies, and Risk of Loss	7
Item 9	Disciplinary Information	16
Item 10	Other Financial Industry Activities and Affiliations	16
Item 11	Code of Ethics, Participation or Interest in Client Transactions And Personal Trading	17
Item 12	Brokerage Practices	17
Item 13	Review of Accounts	19
Item 14	Client Referrals and Other Compensation	20
Item 15	Custody	20
Item 16	Investment Discretion	20
Item 17	Voting Client Securities	20
Item 18	Financial Information	21

Item 4: Advisory Business

Emerald Advisers, LLC (“EA LLC”) is a registered investment adviser investing our client’s assets primarily in U.S. domestic equity securities. Our investment strategies include small, mid and multi-capitalization stocks. Emerald has been providing discretionary advisory services to institutional, governmental, trusts, estates, charitable and high net worth individuals since it was founded in 1991.

EA LLC is a wholly-owned subsidiary of Emerald Asset Management PA, LLC. Emerald Asset Management PA, LLC is owned by Emerald Asset Management Inc. and an affiliate of the F/M Managers Group, LLC.

As of December 31, 2024, EA LLC had approximately \$2.6 billion in discretionary assets under management.

Advisory Services:

For EA LLC’s Small Capitalization Growth products, we seek to maximize returns and minimize risks by capitalizing on the inefficiencies inherent in today’s small cap markets.

Our Small Cap Growth product objective is to outperform its Russell 2000 Growth Index benchmark by investing in companies with the following attributes:

- Capitalization less than or equal to the largest in the Russell 2000
- Competitive advantages
- Leadership position
- Growth rate exceeds peer group
- Differentiated growth drivers
- Under-researched by the Street

Our Mid Cap Growth product seeks to maximize returns and minimize risks by capitalizing on the inefficiencies inherent in today’s mid-cap markets. Our Mid Cap Growth product objective is to outperform its Russell Mid Cap Growth benchmark by investing in companies with the following attributes:

- Capitalization less than or equal to the largest Russell Mid Cap company

- Competitive advantages/pricing power
- Leadership position/innovation
- Strong management
- Growth rate exceeds peer group
- Differentiated growth drivers
- Under-researched by the Street

Our Multi Cap Growth product seeks long-term capital appreciation, through active portfolio management, by investing in large, mid and small capitalization growth companies. This product strives to own the best investment ideas emanating from the deep research effort of our analyst and portfolio management teams. This product has the flexibility to invest anywhere along the market capitalization spectrum and pick from all corners of the equity growth universe. This product is dedicated to owning a subset of the market's most rapidly growing and well-run companies, irrespective of market capitalization.

Our Small Cap Value product invests in domestic small cap value equities with a market capitalization range of approximately \$150 million to \$2.5 billion at the time of investment. Emerald Small Cap Value philosophy is to own companies that are statistically cheap, generate great amounts of free cash flow and possess catalysts for improved operating performance that are not properly discounted by the market.

The Small Cap, Mid Cap and Multi Cap growth products will include some form of general economic overview, but will concentrate more heavily on fundamental, bottom-up research to identify unrecognized, under-researched companies and their suitability for our client's objectives. We will review a company's annual report, 10-k filings and other published information gained from news sources, brokerage reports and recommendations. Whenever possible we will seek to discuss a particular company with its senior management, employees, customers, competitors and brokerage researches who specifically follow that company or its industry. In-person visits with company management are desirable whenever possible.

EA LLC may accept client-imposed restrictions in our investment adviser accounts. Certain restrictions such as no tobacco or adherence to MacBride principals are accepted.

Item 5: Fees and Compensation

EA LLC's fees are based on a percentage of assets under management and are billed quarterly in arrears. Fees are based on the total portfolio values, including accruals, as of the last business day of the month. Client payment is due to the adviser promptly after billing, which is generally mailed at the beginning of the next calendar quarter. EA LLC may request payment directly from a client's account provided that the client has agreed to the arrangement by signing the management agreement and the client receives copies of all invoices paid. Bills for new accounts activated during the calendar quarter will be pro-rated so that the client pays only for the period of time during which the account was actually managed by the adviser. The management agreement can be terminated by either party with thirty days written notice to the other party by regular U.S. mail. No fee will be charged if a new client terminates within five business days after signing the management agreement.

Our current fee schedule is:

For the first \$10,000,000 in assets: .20% per quarter
For assets over \$10,000,000: .15% per quarter

Due to the specific nature of certain client investment programs, these fees can be negotiated depending on the objectives and relative complexity of managing the account.

Emerald Mutual Fund Advisers Trust "EMFAT" is an affiliate of EA LLC. EMFAT acts as adviser to the Emerald Mutual Funds, a registered investment company. Where suitable, EA LLC may recommend the purchase of shares of the advised Emerald Mutual Funds for client accounts. No separate advisory fees are charged on assets held in the investment company. However, the client will pay operating expenses associated with the mutual fund to the investment company.

Account Minimums:

EA LLC's normal minimum to establish an account is \$5,000,000. However, EA LLC may reduce the minimum for certain types of accounts such as high net worth individuals.

Brokerage Commissions and Fees:

In addition to EA LLC advisory fees, clients pay brokerage commission, transaction fees, SEC fees and similar related costs and expenses. Clients will also incur fees from their custodian as well. These fees are not paid to EA LLC. Please see item 12 for a further discussion of our brokerage practices.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-Based Fees:

Performance-Based Fees are based on a share of relative out-performance of an account's assets. An account that pays a performance-based fee may cause a conflict of interest for an adviser as it may pay a higher total fee than a similar account that pays a fee based on assets under management. EA LLC currently manages an account with performance-based fees.

Side-By-Side Management:

EA LLC does not offer a hedge fund investment product or side-by-side management.

Item 7: Types of Clients

EA LLC provides advisory services to the following types of clients:

- Corporations
- Pension and Profit Sharing Plans
- Trusts, Estates, and Charitable Organizations
- Individuals

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

The entire Emerald investment team is dedicated to fundamental, bottom-up research designed to identify unrecognized, under-researched, undervalued as well as overvalued companies. We're constantly on the road visiting companies, meeting management and workers, and touring facilities or off-site at conferences, trade shows or other locations. This hands-on approach provides Emerald with unique insights into industry trends as well as company specific trends that we believe gives us an advantage over managers who rely solely on traditional, top-down research techniques. Emerald also leverages the use of adaptable video-conferencing capabilities when such on-site meetings are not feasible.

Growth Strategies:

For our Growth strategies, the Emerald process includes the production of an internal report on each company (subject to the requirement of the portfolio manager of each strategy), which includes a brief company description, its competitive advantage, an assessment of management, specific growth drivers,

risks, valuation (and its comparables), and why Emerald should buy now. Idea generation resides with Emerald Research and the portfolio management team.

Emerald does not utilize screening in its traditional sense in order to narrow its universe, as we believe our best opportunities are those in which the earnings growth has yet to be reflected in “street/consensus” estimates. Instead, the universe is screened on a fundamental bottom-up basis by its team of research analysts. Each analyst is assigned to a specific Russell sector and industry. As such, each analyst is responsible for understanding the businesses and prospects of those companies within his or her universe. To meet this objective Emerald’s analysts are constantly on the road visiting companies, meeting management and workers, and touring facilities. Emerald also leverages the use of adaptable video-conferencing capabilities when such on-site meetings are not feasible. This hands-on approach provides Emerald insight into industry trends as well as company specific trends. We believe this provides Emerald with an advantage over other managers who rely solely on research from Wall Street firms.

Emerald seeks only companies who have distinct competitive advantages within their respective industries and superior growth rates relative to their peers and the market. Our in-house research team prepares and reviews with portfolio management an internal report on each company that lists the reasons why a specific stock should be considered for purchase.

As a fundamental bottom-up small capitalization growth manager, Emerald is seeking companies that meet the following qualitative/quantitative criteria:

- Capitalization less than/equal to the largest Russell 2000 company – Emerald has always been very true to its small capitalization mandate and as such will only add companies to the portfolio that fall within the upper bound of the Russell 2000 index constraints at the time of rebalance.
- Competitive Advantage – A key component to assessing an individual company’s growth profile is understanding the competitive dynamics within the industry/sector that the company operates. Emerald’s objective in this analysis is to identify those aspects of the business that will provide the company with a competitive advantage during our holding period. Examples include: first to market advantage with a new product or service, patented technology or brand recognition for example.
- Leadership position – Emerald is looking for leadership both in market (#1 or #2 market share within the markets served, or the opportunity to get there), as well as leadership within the corporate suite. As a small capitalization manager, Emerald is in many cases investing in early stage business that have yet to be proven and in so doing believes assessing management’s ability to execute on their strategic plan is a critical

component to the company's success. Emerald's analysts and portfolio managers collectively conduct approximately 2,000 company visits per year on-site at the company, or off-site at conferences, trade shows or other locations. Emerald also leverages the use of adaptable video-conferencing capabilities when such on-site meetings are not feasible. As part of this visit Emerald's objective is to not only qualitatively assess the management acumen of the corporate suite (Chief Executive Officer, Chief Financial Officer), but to do our best to assess the depth of the management ranks in speaking with individuals within key business departments/divisions which may include: manufacturing, marketing, operations, various segment heads, distribution, etc.

- **Growth Rates that Exceed Peer Group** – While absolute earnings growth rates will fluctuate based on economic conditions, Emerald strives to identify and invest in the fastest growing companies within their respective sector and industry. This is born out in the long-term growth rate of the portfolio which has consistently tracked ahead of the long-term growth rate for the index overall.
- **Differentiated Growth Drivers** – In order to fully understand whether the growth rate described above is reasonable and attainable, it is critical to define what key components of the business will be the drivers of this growth. Examples include: new product, market share gains, store growth and market development/expansion.
- **Under-researched** – Lastly and not insignificantly, Emerald seeks out those companies that it deems to be under-researched. "Under-researched" is not only defined by the number of analysts that may follow the company, but can also be defined by the relevancy of their coverage. In many cases within the small capitalization universe, while firms may be listed as actively covering a company, the reality is that these firms have not been active in their coverage, creating an information gap. It is these gaps or inefficiencies that Emerald seeks to exploit.

The role of the research analyst is to successfully execute Emerald's 10-step Emerald Research Process in conjunction with the portfolio management team to identify new investment ideas and to re-evaluate existing holdings. The process places a heavy emphasis on meeting with company management and conducting independent channel checks with customers, competitors, suppliers, and distributors. We utilize SEC filings, press releases, news articles, product reviews, and other publicly available information in our research process. In addition, our analysts use sell-side research as a secondary source to compare the results of their independent findings. The analysts where applicable build proprietary financial models and valuation models and focus on the key operating metrics and valuation

parameters for each stock. Relevant financial metrics and valuation methods and parameters vary on a company-by-company and industry-by-industry basis.

For example, our analysts emphasize balance sheet strength and asset quality for financial services, same-store sales performance and expansion potential for retailers, discounted cash flow analysis of product pipelines for biotechnology companies, and peak to trough earnings modeling for cyclicals.

10-Step Research Process*:

Review SEC filings, press releases and news stories:

The process includes monitoring relevant media sources such as industry press financial press and popular press.

Meet with Management:

Conduct meetings with management across the organization in areas such as executive management, marketing, product development, operations and finance. The Emerald Research Team conducts approximately 2,000 meetings per year on-site at the company, or off-site at conferences, trade shows or other locations. Emerald also leverages the use of adaptable video-conferencing capabilities when such on-site meetings are not feasible.

Interview Customers:

Interview customers to determine 1) the critical factors driving their buy decision, 2) what competitors or alternatives were considered, 3) level of satisfaction with the quality of the product or service, and 4) likelihood of generating repeat business.

Interview Competitors:

Interview competitors to determine their strengths and weaknesses, as well as the competitors' perception of the strengths and weaknesses of the company.

Interview Suppliers:

Interview suppliers to determine their ability to supply the products/services required by the company. Also, assess the extent of potential supply chain bottlenecks.

Interview Distributors:

Interview distributors to determine potential issues and opportunities in the company's distribution channel such as inventory levels, demand drivers and competitive pressures.

Develop Financial and Valuation Models:

Develop a financial model to analyze financial performance and estimate future cash flows, earnings and financing needs. Use a valuation model to analyze relative and absolute valuation.

Review Third Party Research:

Review published research from sell-side analysts and industry research firms to compare our data points and financial estimates. Also, use third party research to assess security-specific and industry-specific sentiment.

Publish an Internal Research Report:

Publish an internal research report summarizing the company's business, competitive advantages, management strengths/weaknesses, growth drivers and risks, as well as stating investment conclusions and recommendations. Subject to the requirement of the portfolio manager of each strategy.

Communicate, Communicate, Communicate:

The entire research team formally meets once a week and informally on an ongoing basis with the portfolio management team to discuss the fundamentals of current and potential holdings. Internal discussions are held throughout the process.

**This may not be fully applicable to all industries or investment opportunities.*

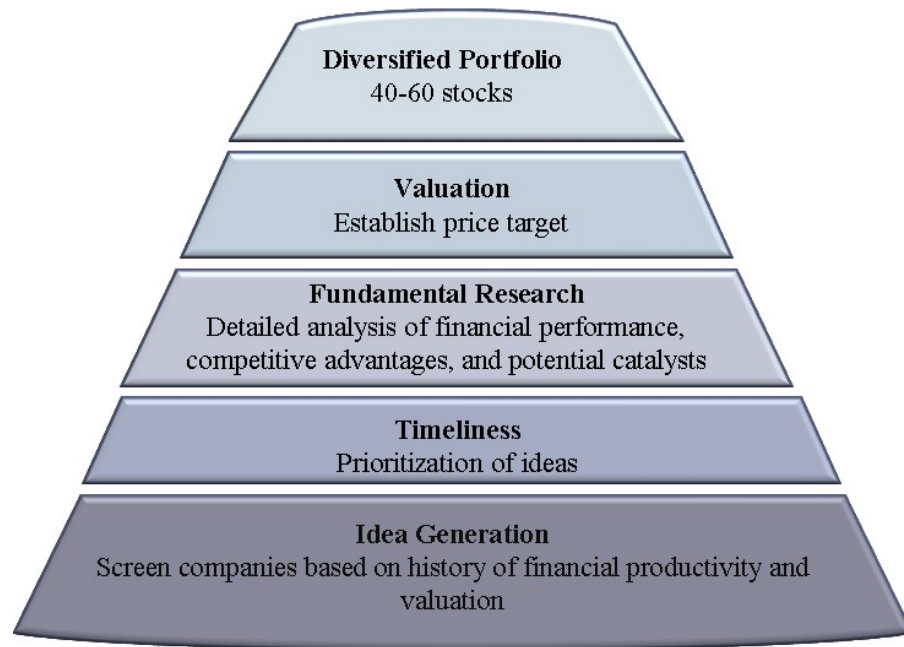
Value Strategies:

Throughout the stock selection and portfolio construction processes, all sector coverage and investment decisions are made in a collaborative manner and with no individual member possessing veto power. This methodology provides Emerald with a robust vetting process for new investment ideas and, as such, is a differentiating factor of the firm's investment management process, it strengthens its overall alpha-generating capability, it enhances team-building dynamics, and it eliminates the potential for excessive risk-taking by individual team members.

The firm's equity investment selection and portfolio construction processes focus on companies that possess high levels of quality and financial productivity at the lowest possible price. Quality and financial productivity are measured by the company's historical free cash flow return on equity while price paid is measured by a company's current stock price-to-book valuation. The combination of these quality and valuation factors is a quantifiable metric, free cash flow yield, that has been incorporated into a model called the Quality at an Acceptable Price Model (QAPM).

The stock selection process begins with a small cap universe of approximately 3,700 domestic equity securities with a market cap range of \$150 million to \$2.5 billion. Companies that lack appropriate liquidity are eliminated from consideration. Emerald uses the following criterion for measuring liquidity: minimum average daily trading volume of \$500,000 during the past 12 months. Approximately 2,100 stocks make it through this initial screen. The front-end stock screen, QAPM, is used to rank the 2,100 securities by quintiles. The firm focuses on the top quintile, and as measured by trailing-twelve month free cash flow yield, or approximately 420 companies generated by QAPM. However, some companies receive a favorable QAPM rating due to a one-time cash infusion from the sale of assets or other discrete and non-recurring events that do not contribute to the ongoing revenue and cash flow generating capabilities of the entity. These outliers are removed from consideration. This screening process narrows the universe to approximately 300 companies and from which the investment team performs its bottom-up fundamental research.

The investment research conducted by the investment team incorporates a variety of factors including: validation of the company's accounting policies, investigation of the competitive environment, its competitive strengths/weaknesses, and confirmation of how management's successful execution of the company's business model in the past is likely to sustain strong financial returns in the future. As Emerald performs the bottom-up fundamental analysis, a top-down context is applied to identify cyclical and secular changes, both positive and negative, within a particular industry/sector. The bulk of the investigation into a company and the majority of the investment team's time are exhausted during this step.



The final portfolio will consist of 40-60 holdings. Emerald will generally buy a partial position up to 1.5% of the total market value of the portfolio when that security is 10-15% from the price target. The firm will buy a full position up to 2.5% of the total market value of the portfolio when the security is 15%+ from our price target.

Emerald implements a disciplined set of risk controls at each step of the investment management process. Because the firm's top priorities as investment manager are to preserve its clients' invested principal and to produce above-market returns on a risk-adjusted basis, Emerald's research discipline attempts to assess and analyze the risk embedded in each potential holding. The firm believes that the higher the quality of the stock, the lower the risk of investment. Emerald's stock screening tool, QAPM, is inherently and quantitatively biased against lower quality and, therefore, higher risk investments and as measured by trailing-twelve month free cash flow yield.

Unlike speculators who, in Emerald's opinion, spend very little time, if any, assessing and analyzing risk, the firm uses tools such as the discounted cash flow model in the bottom-up fundamental research process that allow the team to calibrate the risk and reward parameters, uncovered by the investment team's due diligence process, and relative to the current stock price, the company's business model, the competitive landscape, and the ability of the management team to execute its corporate strategies.

During the portfolio construction process Emerald uses the following parameters to limit the amount of risk taken in its small cap value portfolios: no holding shall be greater than 4.50% of the investment portfolio's total market value; and, sector weightings in the investment portfolio shall be no greater than +/- 750 basis points

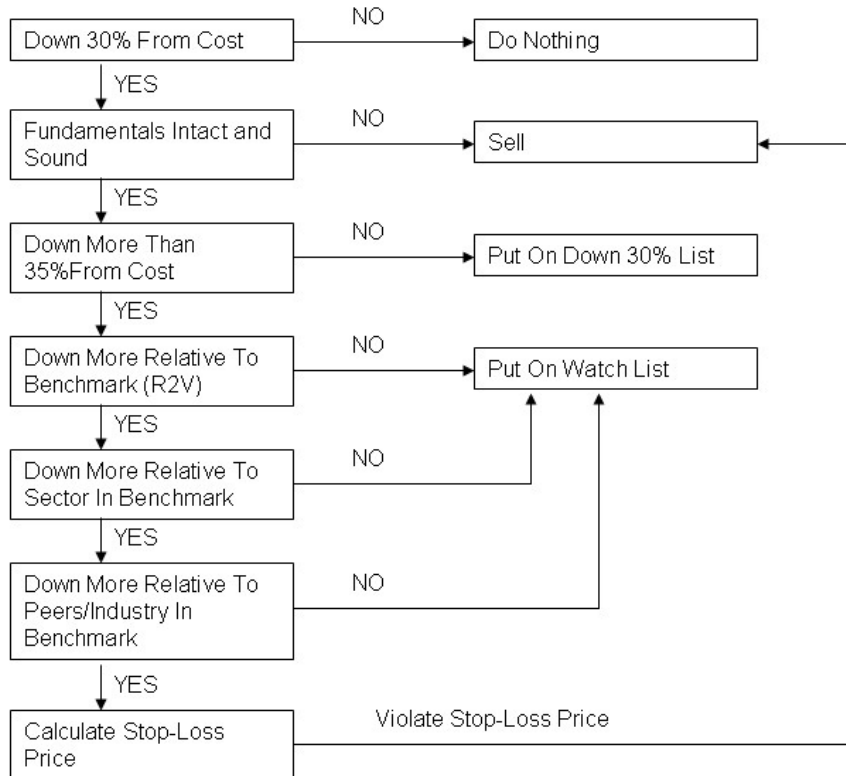
of the sector weightings within the benchmark, the Russell 2500 Value Index. Cash is not used as a risk control, but is typically no greater than 5% of the total portfolio. These portfolio construction parameters prevent excessive dispersion of performance results, or tracking error, between the firm's client portfolios and the benchmark. Emerald does not manage to a specific tracking error per se; however, the firm expects the tracking error to be in a range of 5 – 8%.

Emerald's sell discipline is designed to limit investment losses and to eliminate emotional decision making. The decision to sell a security is based on changes in the valuation and/or changes in the quality of the company's fundamental trends and catalysts for near-term improvements in operating performance. If fundamental trends have deteriorated and the stock price has reached the price target, the investment team becomes a net seller of that security. If the stock hits the price target and the company's operating fundamentals conform to the investment thesis, Emerald will determine if a higher price target is justified on the basis of further due diligence; otherwise, they become a net seller. Finally, if fundamentals have deteriorated and the stock has not reached the price target, they become a net seller.

Emerald will trim or sell a position under the following price objective related conditions: (1) sell partial position (25% of holding) when the security reaches its price target; (2) sell full position if price declines by 5-10% from "period high" or (3) sell full position if price drops below original price target. The firm will also consider selling a position to weed-out chronic under performing stocks if the position is 35% below average cost and, at the same time, has failed to outperform the benchmark, and relevant sector and industry group.

The firm's enhanced sell discipline flow chart shown below provides the investment team with a common sense approach for the sell discipline and, at the same time, manages portfolio turnover in a reasonable manner during extremely volatile market conditions.

Enhanced Sell Discipline Process In Volatile Markets



- Avoid selling good companies where valuation metrics are dislocated from fundamentals
- Reduce undue churn in the portfolio
- Be vigilant and pro-active managing the portfolio in volatile markets

The material risks associated with Emerald's small cap value strategy are:

Equity Market Risk – Overall stock market risks may affect the value of investments in equity strategies. Factors such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances may affect the value of investments in equity strategies. These factors may also affect the level and volatility of securities prices and their liquidity.

Market Capitalization of Securities – Emerald believes small cap securities provide significant potential for appreciation. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

Trading Frequency – The buying and selling of securities within a client's portfolio will generate transaction costs. These costs are the responsibility of the client.

Risk of Loss:

Risk: Investing in the stocks of publicly traded companies involves risk. All methods of analysis carry the risk that the data is interpreted incorrectly. This would lead to the risk that the investment's actual return will be different than the expected return. Risk includes the possibility of losing some or all of your investment. Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9: Disciplinary Information

We are required to disclose any disciplinary events that are material to a client's or prospective client's evaluation of EA LLC as an investment adviser. EA LLC does not have any disciplinary history to report.

Item 10: Other Financial Industry Activities and Affiliations

Certain management or adviser personnel are Series 7 licensed registered representatives with ALPS Fund Distributors for the sole purpose of wholesaling the Emerald Funds.

EA LLC is a wholly-owned subsidiary of Emerald Asset Management PA, LLC.

EA LLC is the parent company of Emerald Mutual Fund Advisers Trust (EMFAT). EMFAT acts as an investment adviser registered investment companies. EMFAT acts as a sub-adviser to the Emerald Mutual Funds. Where suitable, EA LLC may recommend the purchase of shares of the Emerald Mutual Funds for client accounts. No separate advisory fees are charged on assets held in the Emerald Mutual Funds. However, the client will pay operating expenses associated with the mutual fund to the investment company.

EmStone Advisers, LLC is a wholly-owned subsidiary of Emerald Advisers, LLC that provides portfolio management services to institutional investors, focusing primarily on income-oriented investment opportunities.

Emerald Asset Management PA, LLC is the parent company of Emerald Separate Account Management (EMSAM). EMSAM is an adviser to equity separate accounts. EMSAM is the parent company of Emerald Financial Services Private Equity Partners, LLC. Emerald Financial Services Private Equity Partners, LLC manages a private equity fund primarily investing in small and non-public banks.

Certain investment advisers and other financial service entities may be deemed to be related merely because we share common owners: F/M Capital Group, LLC. and 1251 Capital Group, LLC. These advisers and financial service entities do not share with us accounts, managers, advice or systems. We do not share

any business dealings of any kind with these advisers or entities and, therefore, do not believe they pose a conflict of interest. A complete list of related advisers is available upon request.

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

Code of Ethics

EA LLC maintains and enforces a Code of Ethics which establishes the standards of business conduct that we require of our employees, including compliance with applicable securities laws. The EA LLC Code of Ethics and Compliance Manual detail EA LLC procedures for managing conflicts of interest in Personal Trading, Material Non-Public Information and giving and receiving gifts. Employees must acknowledge in writing each year their commitment to the terms of the Code of Ethics. To receive a copy of our Code of Ethics, contact Julie Clawser at 717-396-1116 or by email at jclawser@teamemerald.com

Personal Trading

EA LLC personnel may purchase for their personal accounts the same securities that EA LLC purchases for client accounts. EA LLC personnel must pre-clear all equity security transactions. EA LLC prohibits gains on the purchase and sale of equity securities within 60 days. There is a possibility that employees might benefit from market activity from our client's accounts.

Item 12: Brokerage Practices

Each client executes a management agreement with the Adviser, which gives EA LLC full discretionary authority to buy and sell client securities without specific further client consent. Exceptions may apply if a client is in a directed brokerage arrangement.

EA LLC has established a Trading Procedures & Best Execution Committee, comprised of Emerald's Chief Investment Officer, Head Trader, Chief Compliance Officer and Chief Operating Officer. The committee meets on a quarterly basis and is responsible for approval of all brokerage relationships, soft dollar budget/expenditure oversight, trade effectiveness, trade procedures, and compliance with all regulatory authorities.

In establishing best execution, the committee considers the following criteria for approving a brokerage firm.

- Ability to find liquidity

- Ability to act as a market maker and execute among many markets in a time sensitive manner
- Ability to execute in difficult markets
- Access to research (proprietary and third party) as well as IPO's
- Ability to execute efficiently with little if any settlement/custodial problems
- Timely reporting of order executions
- Custody of client securities

In addition to these factors, EA LLC may consider brokerage and research services in selecting broker-dealers. These services include advice, either directly or through publications, as to the value of securities, the advisability of purchasing or selling securities, analyses and reports concerning issuers, securities or industries; information on economic factors and trends; assistance with portfolio strategies; computer software used in security analysis; portfolio performance evaluation services and technical analysis. These services may be provided on a proprietary basis where EA LLC trades with a particular desk and receives these services. Additionally, these services may be developed by a third party.

EA LLC may pay a broker-dealer that provides brokerage and research services commissions in excess of the amount another broker-dealer might have charged for effecting the same transaction. This occurs when we believe that the amount paid is reasonable in relation to the services provided. Some of the brokerage and research services we receive may benefit all or our clients as a whole, while other services may benefit a specific segment of our clients. We do not attempt to match a particular client's trade execution with broker-dealers that provide brokerage and research service directly benefiting such client's account.

Paying for research with client commission dollars is commonly referred to as using "Soft Dollars" to pay for research. Using soft dollars to pay for research creates a conflict of interest for the adviser. Because many of the products or services that we receive with soft dollars could be considered to provide a benefit to EA LLC, we may have a conflict in allocating client commission dollars. We may choose to execute a transaction through a particular broker-dealer from which we receive research even though a different broker-dealer may have charged less commission. Additionally, this could cause EA LLC to trade more frequently to generate a greater total of soft dollars.

We may use research service from a broker-dealer for purposes other than investment decision-making under Section 28(e). In these circumstances, an adviser will make a good faith allocation with respect to such research services and directly pay for the allocated portion of the research services not used for investment decision-making purposes. We will have a conflict of interest in making allocations for such mixed-use research.

The Trading Procedures & Best Execution Committee meets to review brokers, the previous quarter's trades and examine brokerage commission, soft dollar reports and approve the soft dollar budget.

EA LLC does not select brokers to execute client transactions to receive client referrals.

EA LLC will endeavor to bunch trades for clients in order to effect best execution at the lowest cost (commissions and spread) and to avoid disparities in execution prices for accounts that are managed similarly. These clients will receive the same average price and pro rata execution. EA LLC will permit a client to direct their own security transactions to a specific broker dealer that they choose. If a client uses a directed broker their account execution price may be different than the bunched trade price due to differences in the number of shares traded or movement and volatility of the stock or markets in general. A client directing all or a portion of their trading activity should satisfy themselves that the broker-dealer they have selected can adequately provide price and execution on their transactions. The client should weigh a variety of factors including portfolio turnover rate, the value of custodial and other services provided along with any fees that are charged when comparing to the cost if the adviser were free to negotiate commissions.

Item 13: Review of Accounts

Account Reviews

All accounts are reviewed at least bi-weekly by a portfolio manager of the firm. All accounts are reviewed as to the continued relevancy of client objectives and the adherence to those objectives. In addition, all securities held in client accounts are reviewed daily by an officer of the firm, evaluating their performance relative to the financial markets in general. Major economic events will trigger a review of all accounts.

Client Reports

Reports are issued to each client upon the conclusion of each calendar quarter or account termination, mailed or e-mailed to clients within thirty days following the quarter's end. The report relates pertinent information of the account, including buy not limited to: a portion of each security held, portfolio transactions, performance to-date, and when deemed appropriate, specific comments regarding a particular security, industry or economic development. In addition, more detailed client reviews are held when the EA LLC deems the situation warrants a closer review of the client's progress or stated objectives.

Item 14: Client Referrals and Other Compensation

EA LLC may enter into written agreements with certain persons pursuant to which we pay a non-supervised person a cash referral fee for soliciting clients on our behalf. This is in accordance with Rule 206 (4)-3 of the Investment Advisers Act. If we pay a referral fee, the client is informed under separate disclosure that includes the following:

- The Solicitor's name and relationship to the firm
- That the Solicitor is being paid a referral fee
- The amount of the fee
- The effect the Solicitor's fee will have on the client's fee.

Item 15: Custody

EA LLC does not maintain custody of client assets. Clients are responsible for selecting custodians to hold funds and securities within investment accounts managed on their behalf.

EA LLC prepares quarterly statements for our clients showing portfolio holdings, transactions and performance. As the custodian's statements are considered to be the official record for client accounts, each client should compare statements from EA LLC and their custodian. EA LLC client reports may vary from custodian reports due to accounting procedures, reporting dates or security valuation.

Item 16: Investment Discretion

Upon executing the client agreement, the client and adviser determine general investment guidelines. Factors taken into consideration include a client's particular circumstances such as risk tolerance, time horizon, income needs, tax liability and other times which may have a bearing on the investment approach utilized. EA LLC will then have full discretionary authority to pursue client objectives as set forth in the management agreement. If a client imposes restrictions which limit discretion, performance may deviate from other accounts managed in the same style.

Item 17: Voting Client Securities

EA LLC will accept authority to vote client security proxy ballots as part of our fiduciary duty. EA LLC will vote all proxies in the best economic interest of our clients. Our proxy voting policy sets forth our guidelines for voting which includes selecting directors, ensuring the directors have properly supervised management, and to resolve conflict issues. In selections of the Board of Directors, EA LLC will vote in a manner that will ensure independence between directors and management and that directors are adequately representing shareholders.

If a client retains proxy voting authority, the client should review proxy voting with their custodian. If a client retains proxy voting authority and would like to ask questions about a particular proxy solicitation, contact Julie Clawser at 717-396-1116 or email jclawser@teamemerald.com.

To obtain a copy of the EA LLC proxy voting policy or to inquire about how securities were voted, contact Julie Clawser at 717-396-1116 or email jclawser@teamemerald.com.

Item 18: Financial Information

As an SEC-registered investment adviser, we are required to disclose certain information regarding our financial condition. We have no financial obligation that impairs our capacity to meet contractual or fiduciary commitments to our clients. We have not been the subject of a bankruptcy proceeding. An independent accounting firm prepares our financial audit.

Brochure Supplements

**Kenneth G. Mertz II, CFA
Stacey L. Sears
Steven E. Russell, Esq.
Joseph W. Garner
David A. Volpe, CFA
Stephen Amsterdam
Ori Elan
Andrew Smith**

Emerald Advisers, LLC

**3175 Oregon Pike
Leola, PA 17540
(717) 396-1116**

December 31, 2024

This Brochure Supplement provides information about advisory personnel Kenneth G. Mertz II, Stacey L. Sears, Steven E. Russell, Joseph W. Garner, David A. Volpe, Stephen Amsterdam, and Ori Elan. Please contact Jim Meehan, Chief Compliance Officer (jmeehan@teamemerald.com), if you have any questions about the contents of this supplement. Additional information about Emerald Advisers, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Kenneth G. Mertz II, CFA
Chief Investment Officer and President
kmertz@teamemerald.com
(717) 396 – 1116

Educational Background and Business Experience

- Year of Birth – 1952
- Millersville University, Bachelor of Arts in Economics – 1974
- Chartered Financial Analyst (CFA)* Designation – 1981
- Emerald Advisers, CIO & President – 1992 to Present
- Emerald Advisers, Board member – 1992 to Present

Disciplinary Information

No material events within last 10 years.

Other Business Activities

Diakon Board Member – 2008 to Present

Diakon Lutheran Fund, Member of Board – 2007 to Present

Diakon Lutheran Fund, Chairman of Board – 2011 to Present

Diakon Audit Committee, Member – 2010 to Present

Diakon Compensation Committee, Member – 2010 to Present

Lower Susquehanna Synod Financial Committee, Consultant – 2001 to Present

Trustee, Evangelical Lutheran Church in America Board of Pensions, 2000 – 2006

These positions are all unpaid volunteer positions for a non-profit organization.

Additional Compensation

None

Supervision

Mr. Mertz is the President of Emerald Advisers, LLC. Mr. Mertz certifies annually to compliance and adheres to Emerald's policies, procedures and Code of Ethics. He maintains close communication with Jim Meehan, Chief Compliance Officer for Emerald Advisers, (717)-396-1116 who is responsible for oversight; and outside counsel, Troutman Pepper Locke.

*The CFA Program is a globally recognized, graduate level curriculum that provides a strong foundation of real-world investment analysis and portfolio management skills along with the practical knowledge you need in today's investment industry. It also emphasizes the highest ethical and professional standards. Kenneth G. Mertz has earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

Stacey L. Sears
Senior Vice President & Portfolio Manager
ssears@teamemerald.com
(717) 396 – 1116

Educational Background and Business Experience

- Year of Birth – 1971
- Millersville University, Bachelor of Science in Business Administration – 1993
- Villanova University, MBA – 1999
- Emerald Advisers, Various positions from 1992 to Present
- Emerald Advisers, Senior Vice President & Portfolio Manager – 2007 to Present
- Emerald Advisers, Board Member and Secretary – 2000 to Present

Disciplinary Information

No material events within the last 10 years.

Other Business Activities

None

Additional Compensation

None

Supervision

Mrs. Sears certifies annually to compliance and adheres to Emerald's policies, procedures and Code of Ethics. Mrs. Sears is a member of the portfolio management team. The team holds discussions regarding portfolio holdings on a daily basis and hourly if needed. This is a centralized process as the team meets formally with the entire research team once a week and informally on an ongoing basis. The ultimate buy/sell decisions rest with the portfolio management team and are made on a collaborative basis. Mrs. Sears reports directly to Kenneth G. Mertz, President of Emerald Advisers, (717)-396-1116.

Steven E. Russell, Esq.
Portfolio Manager & Senior Research Analyst
srussell@teamemerald.com
(717) 396-1116

Educational Background and Business Experience

- Year of Birth – 1968
- Morehouse College, Bachelor of Arts in Banking & Finance – 1991
- Temple University, JD & MBA – 1995
- Emerald Advisers, Portfolio Manager & Senior Research Analyst – 2005 to Present

Disciplinary Information

No material events within last 10 years.

Other Business Activities

None

Additional Compensation

None

Supervision

Mr. Russell certifies annually to compliance and adheres to Emerald's policies, procedures and Code of Ethics. Mr. Russell is a member of the portfolio management team. The team holds discussions regarding portfolio holdings on a daily basis and hourly if needed. This is a centralized process as the team meets formally with the entire research team once a week and informally on an ongoing basis. The ultimate buy/sell decisions rest with the portfolio management team and are made on a collaborative basis. Mr. Russell reports directly to Kenneth G. Mertz, President of Emerald Advisers, (717)-396-1116.

Joseph W. Garner
Director of Research & Portfolio Manager
jgarner@teamemerald.com
(717) 396 – 1116

Educational Background and Business Experience

- Year of Birth – 1968
- Millersville University, Bachelor of Arts in Economics – 1990
- Katz School of Business, University of Pittsburgh, MBA – 1991
- Emerald Advisers, Various positions – 1994 to Present
- Emerald Advisers, Director of Research & Portfolio Manager – 2009 to Present

Disciplinary Information

No material events within last 10 years.

Other Business Activities

Millersville University Foundation, Adviser to Investment Committee 01/12 to Present. Mr. Garner assists with asset allocation of the foundation assets and manager selection. This is an unpaid volunteer position.

Additional Compensation

None

Supervision

Mr. Garner certifies annually to compliance and adheres to Emerald’s policies, procedures and Code of Ethics. Mr. Garner is a member of the portfolio management team. The team holds discussions regarding portfolio holdings on a daily basis and hourly if needed. This is a centralized process as the team meets formally with the entire research team once a week and informally on an ongoing basis. The ultimate buy/sell decisions rest with the portfolio management team and are made on a collaborative basis. Mr. Garner reports directly to Kenneth G. Mertz, President of Emerald Advisers, (717)-396-1116.

David A. Volpe, CFA
Managing Director & Portfolio Manager
dvolpe@teamemerald.com
(610) 337-9230

Educational Background and Business Experience

- Year of Birth – 1962
- Potsdam College, Bachelor of Arts in Political Science – 1984
- Pennsylvania State University, Masters in Public Administration – 1985
- Chartered Financial Analyst (CFA)* Designation – 2002
- Emerald Advisers, Deputy Chief Investment Officer, Managing Director & Portfolio Manager – 2000 to Present

Disciplinary Information

No material events within last 10 years.

Other Business Activities

LHV Financial Advisers, President - 2003 to Present. Provides consulting services for municipalities issuing fixed income instruments. There is no pension fund consulting nor equity security consulting.

Additional Compensation

None

Supervision

Mr. Volpe certifies annually to compliance and adheres to Emerald's policies, procedures and Code of Ethics. Mr. Volpe is a member of the portfolio management team. The team holds discussions regarding portfolio holdings on a daily basis and hourly if needed. This is a centralized process as the team meets formally with the entire research team once a week and informally on an ongoing basis. The ultimate buy/sell decisions rest with the portfolio management team and are made on a collaborative basis. Mr. Volpe reports directly to Kenneth G. Mertz, President of Emerald Advisers, (717)-396-1116.

* The CFA Program is a globally recognized, graduate level curriculum that provides a strong foundation of real-world investment analysis and portfolio management skills along with the practical knowledge you need in today's investment industry. It also emphasizes the highest ethical and professional standards. David A. Volpe has earned the right to use the Chartered Financial Analyst designation. CFA Institute marks are trademarks owned by the CFA Institute.

Stephen Amsterdam
Portfolio Manager & Senior Research Analyst
samsterdam@teamemerald.com
(610) 337-9230

Educational Background and Business Experience

- Year of Birth – 1967
- Lehigh University, Bachelor of Science in Finance – 1989
- Research/Sr. Research Analyst, Emerald Advisers – 2000 to Present
- Portfolio Manager, Emerald Advisers – 2014 to Present

Disciplinary Information

No material events within last 10 years.

Other Business Activities

None

Additional Compensation

None

Supervision

Mr. Amsterdam certifies annually to compliance and adheres to Emerald's policies, procedures and Code of Ethics. Mr. Amsterdam is a member of the portfolio management team. The team holds discussions regarding portfolio holdings on a daily basis and hourly if needed. This is a centralized process as the team meets formally with the entire research team once a week and informally on an ongoing basis. The ultimate buy/sell decisions rest with the portfolio management team and are made on a collaborative basis. Mr. Amsterdam reports directly to Kenneth G. Mertz, President of Emerald Advisers, (717)-396-1116.

Ori Elan

Vice President – Portfolio Manager

uelan@teamemerald.com

(941) 346-6132

Educational Background and Business Experience

- Year of Birth – 1972
- City College of New York, Bachelor of Engineering, Chemical Engineering – 1999
- Tepper School of Business, Carnegie Mellon University, MBA – 2003
- Air Products and Chemicals Inc., Various positions – 1999 to 2001
- National City Bank, Various positions – 2003 to 2005
- Elessar Investment Management LLC., Managing Director & Portfolio Manager – 2005 to 2015
- Emerald Advisers, Vice President – Portfolio Manager – 2015 to Present

Disciplinary Information

No material events within last 10 years.

Other Business Activities

No other business activities.

Additional Compensation

None

Supervision

Mr. Elan certifies annually to compliance and adheres to Emerald's policies, procedures, and Code of Ethics. Mr. Elan is a member of the value portfolio management team. The team holds discussions regarding the portfolio holdings on a daily basis and hourly if needed. The ultimate buy/sell decisions rest with the portfolio management team and are made on a collaborative basis. Mr. Elan reports directly to Kenneth G. Mertz, President of Emerald Advisers, (717) 396-1116.

Andrew A. Smith
Assistant Portfolio Manager &
Senior Research Analyst
asmith@teamemerald.com
(717) 396 – 1116

Educational Background

- Year of Birth – 1972
- Alvernia University – Reading, PA - Bachelor of Arts in Business Administration and Marketing - 1994
- Lebanon Valley College – Annville, PA – MBA – 1999

Business Experience

- Emerald Asset Management – Assistant Portfolio Manager and Senior Research Analyst – 08/00 to Present
- EmStone Advisers – Portfolio Manager, March 2017 – Present
- UGI Energy Services, Inc. – Regional Sales Manager and Energy Trader/Coordinator – 11/95 through 7/00

Disciplinary Information

None

Additional Compensation

None

Supervision

Mr. Smith is an employee of Emerald Asset Management. Mr. Smith certifies annually to compliance and adheres to Emerald Asset Management policies, procedures and Code of Ethics. He reports directly to David A. Volpe, President of Emerald Separate Account Management, (717) 396 – 1116.

EMERALD ADVISERS, LLC PRIVACY POLICY

Dear Investor:

Under the requirements of U.S. Securities and Exchange Regulation S-P, we are required to disclose to you our policies and safeguards regarding the nonpublic personal information about you that we possess as the result of your relationship with us. The full text of our Privacy Policy follows. Please don't hesitate to contact us if you have any questions or require any additional information.

Sincerely,

EMERALD ADVISERS, LLC

PRIVACY POLICY

We collect the following nonpublic personal information about you:

- Information we receive from you on or in applications or other forms, correspondence, or conversations, including, but not limited to, your name, address, phone number, social security number, assets, income and date of birth; and
- Information about your transactions with us, our affiliates, or other, including, but not limited to, your account number and balance, payments history, parties to transactions, cost basis information, and other financial information.

We do not disclose any nonpublic personal information about our current or former clients to nonaffiliated third parties, except as permitted by law. For example, we are permitted by law to disclose all of the information we collect, as described above, to our client accounting software/systems provider to process your transactions. Furthermore, we restrict access to your nonpublic personal information to those persons who require such information to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

In the event that you are a client of a third-party "Wrap program" whereby your client management agreement is between you and another investment adviser and we serve contractually as a sub-adviser to the other adviser, the privacy policy of your adviser would govern how your nonpublic personal information would be shared with nonaffiliated third parties.

Certain investment advisers and other financial service entities may be deemed to be related because we share common owners. For example, F/m Investments (previously Ziegler Capital Management LLC) and Emerald Advisers, LLC ("Emerald") are both owned by a subsidiary of 1251 Capital. A complete list of related advisers is available upon request.

March 2025

**EMERALD ADVISERS, LLC.
EMERALD MUTUAL FUND ADVISERS TRUST
EMERALD SEPARATE ACCOUNT MANAGEMENT**

PROXY VOTING POLICY

The voting policies set forth below apply to all proxies which Emerald Advisers, LLC. and subsidiaries are entitled to vote. It is Emerald's policy to vote all such proxies. Corporate governance through the proxy process is solely concerned with the accountability and responsibility for the assets entrusted to corporations. The role of institutional investors in the governance process is the same as the responsibility due all other aspects of the fund's management. First and foremost, the investor is a fiduciary and secondly, an owner. Fiduciaries and owners are responsible for their investments. These responsibilities include:

- 1) selecting proper directors
- 2) ensuring that these directors have properly supervised management
- 3) resolve issues of natural conflict between shareholders and managers
 - a. Compensation
 - b. Corporate Expansion
 - c. Dividend Policy
 - d. Free Cash Flow
 - e. Various Restrictive Corporate Governance Issues, Control Issues, etc.
 - f. Preserving Integrity

In voting proxies, Emerald will consider those factors which would affect the value of the investment and vote in the manner, which in its view, will best serve the economic interest of its clients. Consistent with this objective, Emerald will exercise its vote in a activist pro-shareholder manner in accordance with the following policies.

I. BOARDS OF DIRECTORS

In theory, the board represents shareholders, in practice, all too often Board members are selected by management. Their allegiance is therefore owed to management in order to maintain their very favorable retainers and prestigious position. In some cases, corporations never had a nominating process, let alone criteria for the selection of Board members. Shareholders have begun to focus on the importance of the independence of the Board of Directors and the nominating process for electing these Board members. Independence is an important criterium to adequately protect shareholders' ongoing financial interest and to properly conduct a board member's oversight process. Independence though, is only the first criteria for a Board. Boards need to be responsible fiduciaries in their oversight and decision making on behalf of the owners and corporations. Too many companies are really ownerless. Boards who have failed to perform their duties, or do not act in the best interests of the shareholders should be voted out. A clear message is sent when a no confidence vote is given to a set of directors or to a full Board.

A. Election of Directors, a Board of Directors, or any number of Directors. In order to assure Boards are acting solely for the shareholders they represent, the following resolutions will provide a clear message to underperforming companies and Boards who have failed to fulfill duties assigned to them.

- Votes should be cast in favor of shareholder proposals asking that boards be comprised of a majority of outside directors.
- Votes should be cast in favor of shareholder proposals asking that board audit, compensation and nominating committees be comprised exclusively of outside directors.
- Votes should be cast against management proposals to re-elect the board if the board has a majority of inside directors.
- Votes should be withheld for directors who may have an inherent conflict of interest by virtue of receiving consulting fees from a corporation (affiliated outsiders).
- Votes should be withheld, on a case by case basis, for those directors of the compensation committees responsible for particularly egregious compensation plans.
- Votes should be withheld for directors who have failed to attend 75% of board or committee meetings in cases where management does not provide adequate explanation for the absences.
- Votes should be withheld for incumbent directors of poor performing companies; defining poor performing companies as those companies who have below average stock performance (vs. peer group/Wilshire 5000) and below average return on assets and operating margins.
- Votes should be cast in favor of proposals to create shareholder advisory committees. These committees will represent shareholders' views, review management, and provide oversight of the board and their directors.

B. Selection of Accountants: Emerald will generally support a rotation of accountants to provide a truly independent audit. This rotation should generally occur every 4-5 years.

C. Incentive Stock Plans. Emerald will generally vote against all excessive compensation and incentive stock plans which are not performance related.

D. Corporate restructuring plans or company name changes, will generally be evaluated on a case by case basis.

E. Annual Meeting Location. This topic normally is brought forward by minority shareholders, requesting management to hold the annual meeting somewhere other than where management desires. **Resolution.** Emerald normally votes with management, except in those cases where management seeks a location to avoid their shareholders.

F. Preemptive Rights. This is usually a shareholder request enabling shareholders to participate first in any new offering of common stock. **Resolution:** We do not feel that preemptive rights would add value to shareholders, we would vote against such shareholder proposals.

G. Mergers and/or Acquisitions. Each merger and/or acquisition has numerous ramifications for long term shareholder value. **Resolution:** After in-depth valuation Emerald will vote its shares on a case by case basis.

II. CORPORATE GOVERNANCE ISSUES

These issues include those areas where voting with management may not be in the best interest of the institutional investor. All proposals should be examined on a case by case basis.

A. Provisions Restricting Shareholder Rights. These provisions would hamper shareholders ability to vote on certain corporate actions, such as changes in the bylaws, greenmail, poison pills, recapitalization plans, golden parachutes, and on any item that would limit shareholders' right to nominate, elect, or remove directors. These items can change the course of the corporation overnight and shareholders should have the right to vote on these critical issues. **Resolution:** Vote Against management proposals to implement such restrictions and vote For shareholder proposals to eliminate them.

B. Anti-Shareholder Measures. These are measures designed to entrench management so as to make it more difficult to effect a change in control of the corporation. They are normally not in the best interests of shareholders since they do not allow for the most productive use of corporate assets.

1. Classification of the Board of Directors:

A classified Board is one in which directors are not elected in the same year rather their terms of office are staggered. This eliminates the possibility of removing entrenched management at any one annual election of directors. **Resolution:** Vote Against proposals to classify the Board and support proposals (usually shareholder initiated) to implement annual election of the Board.

2. Shareholder Rights Plans (Poison Pills):

Anti-acquisition proposals of this sort come in a variety of forms. In general, issuers confer contingent benefits of some kind on their common stockholders. The most frequently used benefit is the right to buy shares at discount prices in the event of defined changes in corporate control. **Resolution:** Vote **Against** proposals to adopt Shareholder Rights Plans, and vote **For** Shareholder proposals eliminating such plans.

3. Unequal Voting Rights:

A takeover defense, also known as superstock, which gives holders disproportionate voting rights. Emerald adheres to the One Share, One Vote philosophy, as all holders of common equity must be treated fairly and equally. **Resolution:** Vote **Against** proposals creating different classes of stock with unequal voting privileges.

4. Supermajority Clauses:

These are implemented by management requiring that an overly large amount of shareholders (66-95% of shareholders rather than a simple majority) approve business combinations or mergers, or other measures affecting control. This is another way for management to make changes in control of the company more difficult. **Resolution:** Vote **Against** management proposals to implement supermajority clauses and support shareholder proposals to eliminate them.

5. Fair Price Provisions:

These provisions allow management to set price requirements that a potential bidder would need to satisfy in order to consummate a merger. The pricing formulas normally used are so high that the provision makes any tender offer prohibitively expensive. Therefore, their existence can foreclose the possibility of tender offers and hence, the opportunity to secure premium prices for holdings. **Resolution:** Vote **Against** management proposals to implement fair price provisions and vote **For** shareholder proposals to eliminate them.

Caveat: Certain fair price provisions are legally complex and require careful analysis and advice before concluding whether or not their adoption would serve stockholder interest.

6. Increases in authorized shares and/or creation of new classes of common and preferred stock:

a. Increasing authorized shares.

Emerald will support management if they have a stated purpose for increasing the authorized number of common and preferred stock. Under normal circumstances, this would include stock splits, stock dividends, stock option plans, and for additional financing needs. However, in certain circumstances, it is apparent that management is proposing these increases as an anti-takeover measure. When used in this manner, share increases could inhibit or discourage stock acquisitions by a potential buyer, thereby negatively affecting a fair price valuation for the company.

Resolution: On a case by case basis, vote **Against** management if they attempt to increase the amount of shares that they are authorized to issue if their intention is to use the excess shares to discourage a beneficial business combination. One

way to determine if management intends to abuse its right to issue shares is if the amount of authorized shares requested is double the present amount of authorized shares.

b. Creation of new classes of stock.

Managements have proposed authorizing shares of new classes of stock, usually preferreds, which the Board would be able to issue at their discretion. The Board would also be granted the discretion to determine the dividend rate, voting privileges, redemption provisions, conversion rights, etc. without approval of the shareholders. These “blank check” issues are designed specifically to inhibit a takeover, merger, or accountability to its shareholders.

Resolution: Emerald would vote AGAINST management in allowing the Board the discretion to issue any type of “blank check” stock without shareholder approval.

c. Directors and Management Liability and Indemnification.

These proposals are a result of the increasing cost of insuring directors and top management against lawsuits. Generally, managements propose that the liability of directors and management be either eliminated or limited. Shareholders must have some recourse for losses that are caused by negligence on the part of directors and management. Therefore directors and management should be responsible for their fiduciary duty of care towards the company. The Duty of Care is defined as the obligation of directors and management to be diligent in considering a transaction or in taking or refusing to take a corporate action.

Resolution: On a case by case basis, Emerald votes **Against** attempts by management to eliminate directors and management liability for their duty of care.

d. Compensation Plans (Incentive Plans)

Management occasionally will propose to adopt an incentive plan which will become effective in the event of a takeover or merger. These plans are commonly known as “golden parachutes” or “tin parachutes” as they are specifically designed to grossly or unduly benefit a select few in management who would most likely lose their jobs in an acquisition. Shareholders should be allowed to vote on all plans of this type.

Resolution: On a case by case basis, vote **Against** attempts by management to adopt proposals that are specifically designed to grossly or unduly benefit members of executive management in the event of an acquisition.

e. Greenmail

Emerald would not support management in the payment of greenmail.

Resolution: Emerald would vote **FOR** any shareholder resolution that would eliminate the possibility of the payment of greenmail.

f. Cumulative Voting

Cumulative voting entitles stockholders to as many votes as equal the number of shares they own multiplied by the number of directors being elected. According to this set of rules, a shareholder can cast all votes towards a single director, or any two or more. This is a proposal usually made by a minority shareholder seeking to elect a director to the Board who sympathizes with a special interest. It also can be used by management that owns a large percentage of the company to ensure that their appointed directors are elected.

Resolution: Cumulative voting tends to serve special interests and not those of shareholders, therefore Emerald will vote **Against** any proposals establishing cumulative voting and **For** any proposal to eliminate it.

g. Proposals Designed to Discourage Mergers & Acquisitions In Advance

These provisions direct Board members to weigh socioeconomic and legal as well as financial factors when evaluating takeover bids. This catchall apparently means that the perceived interests of customers, suppliers, managers, etc., would have to be considered along with those of the shareholder. These proposals may be worded: “amendments to instruct the Board to consider certain factors when evaluating an acquisition proposal”. Directors are elected primarily to promote and protect the shareholder interests. Directors should not allow other considerations to dilute or deviate from those interests. **Resolution:** Emerald will vote **Against** proposals that would discourage the most productive use of corporate assets in advance.

h. Confidential Voting

A company that does not have a ballot provision has the ability to see the proxy votes before the annual meeting. In this way, management is able to know before the final outcome how their proposals are being accepted. If a proposal is not going their way, management has the ability to call shareholders to attempt to convince them to change their votes. Elections should take place in normal democratic process which includes the secret ballot. Elections without the secret ballot can lead to coercion of shareholders, employees, and other corporate partners. **Resolution:** Vote **For** proposals to establish secret ballot voting.

i. Disclosure

Resolution: Emerald will vote **Against** proposals that would require any kind of unnecessary disclosure of business records. Emerald will vote **For** proposals that require disclosure of records concerning unfair labor practices or records dealing with the public safety.

j. Sweeteners

Resolution: Emerald will vote **Against** proposals that include what are called “sweeteners” used to entice shareholders to vote for a proposal that includes other items that may not be in the shareholders best interest. For instance, including a stock split in the same proposal as a classified Board, or declaring an extraordinary dividend in the same proposal installing a shareholders rights plan (Poison Pill).

k. Changing the State of Incorporation

If management sets forth a proposal to change the State of Incorporation, the reason for change is usually to take advantage of another state's liberal corporation laws, especially regarding mergers, takeovers, and anti-shareholder measures. Many companies view the redomestication in another jurisdiction as an opportune time to put new anti-shareholder measures on the books or to purge their charter and bylaws of inconvenient shareholder rights, written consent, cumulative voting, etc. **Resolution:** On a case-by-case basis, Emerald will vote **Against** proposals changing the State of Incorporation for the purpose of their anti-shareholder provisions and will support shareholder proposals calling for reincorporation into a jurisdiction more favorable to shareholder democracy.

l. Equal Access to Proxy Statements

Emerald supports stockholders right to equal access to the proxy statement, in the same manner that management has access. Stockholders are the owners of a corporation and should not be bound by timing deadlines and other obstacles that presently shareholders must abide by in sponsoring proposals in a proxy statement. The Board should not have the ability to arbitrarily prevent a shareholder proposal from appearing in the proxy statement. **Resolution:** Emerald will support any proposal calling for equal access to proxy statements.

m. Abstention Votes

Emerald supports changes in the method of accounting for abstention votes. Abstention votes should not be considered as shares "represented" or "cast" at an annual meeting. Only those shares cast favoring or opposing a proposal should be included in the total votes cast to determine if a majority vote has been achieved. Votes cast abstaining should not be included in total votes cast. **Resolution:** Emerald will support any proposal to change a company's by-laws or articles of incorporation to reflect the proper accounting for abstention votes.

III. Other Issues

On other major issues involving questions of community interest, moral and social concern, fiduciary trust and respect for the law such as:

- A. Human Rights
- B. Nuclear Issues
- C. Defense Issues
- D. Social Responsibility

Emerald, in general supports the position of management. Exceptions to this policy Include:

1. South Africa

Emerald will actively encourage those corporations that have South African interests to adopt and adhere to the Statement of Principles for South Africa, formerly known as the Sullivan Principles, and to take further actions to promote responsible corporate activity.

2. Northern Ireland

Emerald will actively encourage U.S. companies in Northern Ireland to adopt and adhere to the MacBride Principles, and to take further actions to promote responsible corporate activity.

IV. Other Potential Conflicts of Interest

Emerald may manage a variety of corporate accounts that are publicly traded.