WHV Investments, Inc.
Form ADV Part 2A
(the "Brochure")

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This brochure provides information about the qualifications and business practices of WHV Investments, Inc. ("WHV" or "we"). If you have any questions about the contents of this brochure, please contact us at WHVCompliance@whv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about WHV is also available on the SEC's website at: www.adviserinfo.sec.gov.

We may sometimes refer to ourselves as a registered investment adviser. This means that we are registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, status as a registered investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

This Brochure dated March 30, 2016 contains material changes since the last annual update of the Brochure dated February 27, 2015.

- Effective February 28, 2016, Richard K. Hirayama, the then current portfolio manager of the WHV International Equity Fund, retired from his position with WHV and Hirayama Investments, LLC ("Hirayama Investments"), the adviser and sub-adviser, respectively, to the WHV International Equity Fund.

- Item 4 has been updated to reflect that certain mutual funds for which WHV previously served as investment adviser have been closed to new and existing shareholders and are being liquidated. The final liquidation of the funds are set for no later than April 29, 2016.

- Item 4 has also been updated to show regulatory assets under management as of February 29, 2016.

- Item 8 has been revised to remove certain information relating to the investment strategies no longer being pursued by WHV and certain of its Sub-Advisers and the corresponding risks previously associated with such discontinued strategies Item 8 has also been revised to reflect the addition of our in-house portfolio managers, who use the brand name "Rivington," who were hired by WHV in early 2016. Item 8 has been further revised to reflect that the Rivington Select International Equity Strategy by WHV has been employed by WHV as adviser to the WHV International Equity Fund as of February 15, 2016, with Rivington as portfolio managers to the WHV International Equity Fund replacing Hirayama Investments, LLC.

- Item 10 has been condensed to remove certain information about WHV's relationship with various Sub-Advisers previously utilized in connection with certain mutual funds for which WHV served as investment adviser but are now closed and in liquidation. Item 10 has been further revised to describe certain developments concerning its affiliated Sub-Adviser, Hirayama Investments.

    - Specifically, the services agreement, and other ancillary agreements between WHV and Hirayama Investments and/or Richard K Hirayama, under which WHV provided certain services to Hirayama Investments and Hirayama Investments provided subadvisory investment services to WHV were modified by an Amendment and Transition Agreement between WHV and Hirayama Investments, effective January 1, 2016 (the "Amendment and Transition Agreement").
    - Effective February 15, 2016, Hirayama Investmentsceased its investment activities as Sub-Adviser for the WHV International Equity Fund.
    - Effective February 28, 2016, Richard K. Hirayama, retired from his positions with the Adviser and Hirayama Investments.
    - Pursuant to the Amendment and Transition Agreement, Hirayama Investments will continue to manage client assets for the WHV International Equity and Global Equity

strategies for a certain limited number of clients under the terms of their individual investment management agreements until such time as the termination, notification and potential succession requirements of each of those specific agreements has lapsed, which is anticipated as occurring on or about June 30, 2016.

- By June 30, 2016, Hirayama Investments will no longer be providing sub-advisory services to WHV. However, pursuant to the Amendment and Transition Agreement, Richard K. Hirayama will receive, for a period of three years from the execution of such agreement, a fee equal to 25% of the fees received by WHV for any assets that were managed by Hirayama Investments prior to the execution date of the Amendment and Transition Agreement that have transitioned over to WHV.

Please note that this summary discusses only material changes that have occurred since the last annual update of the Brochure.

Item 3: Table of Contents

Item 4: Advisory Business

WHV was founded in 1937 and first registered as an investment adviser with the SEC on January 8, 1962.

We are wholly owned by Laird Norton Investment Management, Inc., ("LNIM") a holding company that is owned by Laird Norton Company, LLC, a privately held company. Please see **Item 10: Other Financial Industry Activities and Affiliations** for further discussion of our affiliation with other entities in the financial industry.

We manage discretionary and non-discretionary accounts that are invested in equity and fixed income securities for the following types of clients:

- institutional clients (including proprietary and third-party mutual funds, pension and profit sharing plans, trusts, estates, charitable organizations, governmental entities, business entities, and private funds) and individual clients (collectively, "direct clients");
- clients in broker-sponsored wrap programs or wrap fee programs ("Wrap Clients");
- clients in Unified Managed Account programs ("UMA Programs"); and
- sponsors of UMA Programs where we provide the advisory services to the sponsors rather than to the underlying UMA clients.

We work with each direct client to establish an appropriate investment profile. For Wrap Clients, financial advisors working for the Wrap Sponsor, as defined below, guide the clients to select the appropriate investment strategy we offer. Clients may choose from growth, balanced, and conservative strategies. Direct clients may impose reasonable restrictions on our management of their accounts. Wrap Clients may only impose a limited range of restrictions on our management of their accounts.

We cannot guarantee that a client's investment objectives will be achieved, and we do not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy, or the success of the overall management of any account. The investment decisions we make for clients are subject to risks, and investment decisions will not always be profitable. Please see **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss** below for more information about our strategies and related investment risks, which clients should review carefully before deciding to engage us.

Generally, we offer services on a fully discretionary basis. As of February 29, 2016, we managed approximately $724.3M of assets on a discretionary basis on behalf of clients and $276.3M of assets on a non-discretionary basis.

Proprietary Mutual Funds

We serve as investment adviser to several proprietary mutual funds, specifically, the WHV/Acuity Tactical Credit Long/Short Fund and the WHV International Equity Fund (collectively, the "Funds"). WHV is also the investment adviser to the Rivington Diversified Global Equity Fund and Rivington Diversified International Equity Fund (together, the "WHV/Rivington Funds"). The Funds offer multiple classes of shares, as described in each Fund's prospectus. Further, as described in the Fund's prospectus, the WHV/Acuity Fund is managed on a day-to-day basis by a Sub-Adviser. Please see Item 10 for further information regarding the Fund's Sub-Adviser.

The following proprietary mutual funds, WHV/EAM Emerging Markets Small Cap Equity Fund, WHV/EAM International Small Cap Equity Fund and WHV/Seizert Small Cap Value Equity Fund are closed to new and existing investors. The WHV/EAM Funds are being liquidated as of March 31, 2016 and the WHV/Seizert Fund is to be liquidated as of April 29, 2016.

Participation in Wrap Programs

In addition, we serve as a portfolio manager for wrap fee program accounts ("Wrap Programs") sponsored by brokerage firms and/or their affiliates ("Wrap Sponsors"). Under these Wrap Programs, the Wrap Sponsors typically perform some or all of the following:

- recommend us to their Wrap Clients;
- execute the clients' portfolio transactions without charging a transaction-based fee;
- monitor our performance; and
- act as custodian.

Wrap Sponsors charge a single fee for performing these services and pay a portion of that fee to us for investment management services. As negotiated between a client and a Wrap Sponsor, our investment management fee may differ from the fee schedules charged for direct clients as shown under **Item 5: Fees and Compensation**. Under some of these programs, the Wrap Sponsor may not provide all of the services noted above.

Wrap Program accounts typically grant us full investment discretion, depending on the individual needs of the client, as communicated through to us by the Wrap Sponsor. However, we generally do not have the discretion to select broker-dealers to execute portfolio transactions for wrap clients, as discussed in **Item 12: Brokerage Practices**. Wrap Clients generally have the ability to establish special limitations on the investments in their portfolios, although Wrap Clients must notify their Wrap Sponsor, who will then notify us, of any changes to the clients' financial condition, investment objectives, risk tolerance, and restrictions.

For more information about Wrap Programs, including information about fees and other terms and conditions of investment, please see the Wrap Sponsor's applicable program brochure.

Participation in UMA Programs

We participate in several UMA programs sponsored by broker-dealers and an unaffiliated investment advisory firm. We provide our investment model to the UMA sponsors, but we do not execute transactions for the UMA clients since the UMA sponsors implement the investment model by executing transactions in the UMA accounts at their discretion. We are responsible for communicating any changes to the investment model to the UMA sponsor on a timely basis. Please see **Item 12: Brokerage Practices** for a discussion of how we communicate changes to the investment model to UMA sponsors.

UMA clients are generally not considered to be WHV clients, but rather clients of the UMA sponsor.

Item 5: Fees and Compensation

Investment Management Fees for Direct Clients

The management fees charged for our investment management services are generally charged quarterly, in arrears, based on the value of the assets under management on the last day of each quarter. The fees, applied incrementally, vary based on the value of the assets under management and the particular investment strategy employed as follows:

International, Global and Equity Strategy Accounts

First $25 Million	0.74%
Next $25 Million	0.70%
Next $25 Million	0.68%
Next $25 Million	0.65%
Next $100 Million	0.60%
Over $200 Million	0.55%

In limited circumstances, we, in our sole discretion, may negotiate to charge a lesser management fee than reflected on the fee schedules above.

We may amend our fee schedule at any time. Other investment advisers may charge lower fees for comparable services. In some cases and at the request of the client, we may agree to provide our investment management services to a "qualified client" for a performance-based fee in accordance with the requirements of Rule 205-3 of the Advisers Act. While the specific terms of these arrangements are negotiated with each client, generally, we will charge our fees based upon a percentage of the market value of the assets being managed ("management fee") in addition to a fee based on the performance of the account ("performance-based fee"). Please see **Item 6: Performance-Based Fees and Side-by-Side Management** for more information on potential conflicts arising from performance-based fees.

Most clients authorize us to deduct fees automatically from their brokerage accounts, but clients may request that we send quarterly invoices to be paid by check.

If a client terminates the investment management agreement with us in the middle of a billing period we will invoice the client for an amount that is pro-rated based on the number of days that the account was managed.

Fees on Proprietary Mutual Funds

Our only compensation from our proprietary mutual funds is a 0.74% – 1.17% investment management fee based on the assets under management in the Funds. A portion of this fee is paid to the Sub-Adviser for the WHV/Acuity Fund, as applicable. If a direct client of WHV chooses to invest a portion of his/her assets in one of our proprietary mutual funds, the client will not pay our direct client investment management fee on those assets, but will pay management, trading, and administrative fees at the mutual fund level. Please see the Funds' prospectuses and statement of additional information for more information, including information on how fees are billed.

Fees received from Wrap/UMA Sponsors

We are paid between 0.35% and 1.00% for our investment management services, based on scale and volume of the assets under management in the Wrap or UMA program.

Generally, our fees are calculated and billed quarterly, in advance, by each Wrap or UMA sponsor, based on the market value of assets under management at the beginning of each quarter. If the client terminates before the end of the prepaid quarter, a refund is paid on a pro-rata basis.

For additional information regarding fees for these Wrap Programs (in addition to the brief description above in Item 4), please consult the applicable Wrap Program brochure prepared by the Wrap Sponsor or UMA sponsor, in the case of a single contract Wrap Program or UMA program.

General

In addition to our investment management fees, clients pay transaction fees, including commissions and mark-ups, and custodial fees. Please see **Item 12: Brokerage Practices** for more information on our brokerage practices. If we invest a client's portfolio in a third-party investment vehicle, such as a mutual fund or an exchange-traded fund ("ETF"), the client will pay our investment management fee on the portion of assets invested in the investment vehicle in addition to the separate layer of management, trading, and administrative fees that are charged at the investment vehicle level.

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

As noted, we may agree to enter into a performance-based fee arrangement with clients. The terms of each arrangement will be negotiable on a case-by-case basis but generally, and as noted above, we will charge a management fee and a performance-based fee.

We may manage accounts that pay performance-based fees side-by-side with clients that pay only management fees. We face potential conflicts of interest in that we may have an incentive to favor accounts that pay performance-based fees. Performance-based compensation can create an incentive for us to make investments that are riskier or more speculative than would be the case where we are only paid a base fee. Depending on the performance of the portfolio, we may be paid more or less compared to the non-performance-based fee received on other portfolios that we manage.

We have written compliance policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures to seek fair and equitable trade allocations among all clients, regardless of the type of fees we receive from the clients. Please see **Item 12: Brokerage Practices** below. In addition, it is our policy not to invest in initial public offerings or to engage in options writing.

Our compliance team periodically monitors the performance of accounts paying a performance-based fee compared to accounts in the same strategy that do not pay performance-based fees to ensure that no preferential treatment is given to those accounts. There is no guarantee that our policies and procedures will cover every situation in which a conflict of interest arises.

Item 7: Types of Clients

We generally provide investment advice to:

- individuals;
- investment companies, particularly the Funds;
- pension and profit sharing plans;
- trusts;
- estates;
- charitable organizations;
- government entities;
- private funds; and
- other business entities

We also provide advice to Wrap Clients through broker-sponsored Wrap programs, and advise clients in UMA Programs. In some cases, we provide advice to the sponsor of UMA Programs, rather than to the underlying UMA clients.

For direct accounts, we generally do not accept new accounts with less than $5 million in assets for Global and International Equity strategies. Direct accounts must execute a written advisory agreement with us before receiving our services.

Our proprietary mutual funds have investment minimums, generally requiring $5,000 to invest in class A and C shares and $500,000 to invest in class I shares. Please see the Funds' prospectuses for more information as certain types of accounts may have different minimum investment requirements.

For Wrap Clients, we generally do not accept new accounts with less than $100,000 in assets, although we may make exceptions to accommodate the requirements of the specific Wrap Sponsors.

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

The particular methods for selecting investments vary by the strategy, and we describe our general investment philosophy below. Our investment strategies are:

1. Global Equity
2. International Equity
3. Tactical Long/Short Credit
4. Rivington Diversified Global Equity by WHV
5. Rivington Diversified International Equity by WHV; and
6. Rivington Select International Equity by WHV.

We believe that clients can benefit from a focused, consistent and repeatable approach to investment management across all asset classes. Our philosophy is simple but effective: build high conviction portfolios from our best ideas and make investment decisions based on a long-term horizon that support the goals of each client.

Rivington is a specialized, in-house investment team of global investors who joined WHV in early 2015. Formerly with Victory Capital Management and Deutsche Asset Management, they brought with them three international and global strategies – Rivington Diversified Global Equity by WHV, Rivington Diversified International Equity by WHV, and Rivington Select International Equity by WHV – that have historically generated significant alpha with limited volatility.

Our Rivington branded *diversified* international and Rivington branded *diversified* global equity strategies ("Rivington Diversified International Strategy by WHV" and Rivington Diversified Global Strategy by WHV") seek to deliver attractive risk-adjusted returns over time while emphasizing enhanced diversification, lower volatility, and capital preservation. Central to the strategies is the concept of corporate life cycles, which captures the relationship between a company's competitive challenges and its economic performance and valuation as it evolves. This concept persists throughout the investment process as the Rivington investment team believes it provides the most effective framework for evaluating investment opportunities and creating a less volatile portfolio. The Rivington branded *select* strategy approach ("Rivington Select International Strategy by WHV") is similar to the diversified strategies, but implements the strategy using fewer holdings and has a higher tracking error than the "Diversified" version of the International strategy. The difference between the global and international strategies are that the global strategies have US exposure, whereas the international strategies are entirely non-US.

Our WHV(non-Rivington) branded strategies – the international equity and global equity strategies – utilize a growth oriented, top-down sector allocation approach.

Our Tactical Long/Short Credit strategy combines a macro-economic view with deep, fundamental, company-specific credit analysis and a variety of strategies to exploit perceived pricing disparities. Our security analysis methods include fundamental, technical, momentum, value, relative value and cyclical analysis. We primarily invest for relatively long time horizons, often for a year or more. Our strategies do not involve frequent trading of securities. However, market developments could cause us to buy or sell securities more quickly.

It is our general policy not to invest in initial public offerings or private placements although the Diversified International, Diversified Global, and the Select International Strategies may invest in IPOs as a component of their respective investment strategies. In addition, it is our policy not to engage in option writing.

Investment Risks

All investing involves a risk of loss that clients should be prepared to bear. As with any investment strategy, there can be no guarantee that a strategy will meet its goals or that the strategy's performance will be positive for any period of time.

Our strategies are subject to a number of risks, including the following:

Management Risk. As with any investment program, portfolio managers may not be successful in selecting the best-performing securities or investment techniques, and the account's performance may lag behind that of other accounts. There is no assurance that an account will meet its investment objectives and produce the intended results. The account may also miss out on an investment opportunity because the assets necessary to take advantage of the opportunity are tied up in less advantageous investments. *Applicable to all strategies.*

Market Risk. The market value of a security may, sometimes rapidly and unpredictably, fluctuate. The prices of securities change in response to many factors including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. *Applicable to all strategies.*

Equity Securities Risk. Stock markets are volatile. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. The price of equity securities may decline due to factors that affect a particular industry or industries, or due to general market conditions unrelated to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in the general outlook for corporate earnings, changes in interest or currency rates or generally adverse investor interest. *Applicable to all strategies.*

Growth Securities Risks. Growth stocks may fall out of favor with investors and underperform other asset types during given periods. A company may never achieve anticipated earnings growth. *Applicable to the following strategies: Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV and Rivington Diversified International Equity by WHV.*

Depositary Receipts Risk. American Depositary Receipts ("ADRs") as well as other "hybrid" forms of ADRs, including European Depositary Receipts ("EDRs") and Global Depositary Receipts ("GDRs"), are certificates evidencing ownership of shares of a foreign issuer. These certificates are issued by depository banks and generally trade on an established market in the United States or elsewhere. The underlying shares are held in trust by a custodian bank or similar financial institution. The depository bank may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends interest and shareholder information regarding corporate actions. ADRs may be available through "sponsored" or "unsponsored" facilities. A sponsored facility is established jointly by the issuer of the security underlying the receipt and a depositary. An unsponsored facility may be established by a depositary without participation by the issuer of the underlying security. Holders of unsponsored depositary receipts generally bear all the costs of the unsponsored facility. The depositary of an unsponsored facility frequently is under no obligation to distribute shareholder communications received from the issuer of the deposited security or to pass through, to the holders of the receipts, voting rights with respect to the deposited securities. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies. However, ADRs continue to be subject to many of the risks associated with investing directly in foreign securities. These risks include foreign exchange risk as well as the political and economic risks of the underlying issuer's country. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified International Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified Global Equity by WHV.*

Foreign Over-the-Counter Securities Risk. In some cases the best available market for foreign securities will be on over-the-counter ("OTC") markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This directly or indirectly exposes the account to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Therefore, to the extent that the account engages in trading on OTC markets, it could be exposed to greater risk of loss through default than if the account confined its trading to regulated exchanges. Please see below for more discussion of foreign securities risk. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified*

International Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified Global Equity by WHV.

Foreign Securities Risk. Investing in foreign (non-U.S.) securities may result in the account experiencing more rapid and extreme changes in value than an account that invests exclusively in securities of U.S. companies, due to less liquid securities and markets, and adverse economic, political, diplomatic, financial, and regulatory factors. For example, recent developments with certain Eurozone countries have caused the prices of securities to decline throughout the region. In addition, there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, making it more difficult for an account to buy and sell securities on those exchanges. Foreign governments also may impose limits on investment and repatriation and impose taxes. Income from foreign issuers may be subject to non-U.S. withholding taxes. In some countries, an account also may be subject to taxes on trading profits and, on certain securities transactions, transfer or stamp duties tax. Settlement and clearance procedures in certain foreign markets differ significantly from those in the U.S. and may involve certain risks (such as delays on payment for or delivery of securities) not typically associated with the settlement of U.S. investments. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards or to other regulatory requirements that apply to U.S. companies. As a result, less information may be available concerning non-U.S. issuers. Accounting and financial reporting standards in emerging markets may be especially lacking. Further, it is often more expensive to trade securities in foreign markets as commissions are generally higher than in the U.S., and foreign exchanges and investment professionals are subject to less governmental regulation than in the U.S. Any of these events could cause the value of the account's investments to decline. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified Global Equity, Rivington Select International Equity by WHV and Rivington Diversified International Equity by WHV.*

Emerging Market Risk. Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. Investments in emerging markets may be considered speculative. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging securities markets have far lower trading volumes and less liquidity than developed markets. Since these markets are often small, they may be more likely to suffer sharp and frequent price changes or long-term price depression because of adverse publicity, investor perceptions or the actions of a few large investors. Also, there may be less publicly available information about issuers in emerging markets than would be available about issuers in more developed capital markets, and these issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those in developed markets.

Many emerging markets have histories of political instability and abrupt changes in policies. As a result, their governments are more likely to take actions that are hostile or detrimental to private enterprise or foreign investment than those of more developed countries, including expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments. In the past, governments of these nations have expropriated substantial amounts of private property, and most claims of the property owners have never been fully settled. If this occurs, it is possible that the entire investment in the affected market could be lost. Some countries have pervasiveness of corruption and crime that may hinder investments. Certain emerging markets may also face other significant internal or external risks, including the risk of war, and ethnic, religious and racial conflicts.

In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth.

Emerging markets may also have differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other foreign or U.S. governmental laws or restrictions applicable to such investments. Sometimes, they may lack or be in the relatively early development of legal structures governing private and foreign investments and private property. In addition to withholding taxes on investment income, some countries with emerging markets may impose differential capital gains taxes on foreign investors. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV and Rivington Diversified International Equity by WHV.*

Mid Cap Stock Risk:
Mid cap stock risk is the risk that stocks of mid-sized companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Mid-sized companies may have limited product lines or financial resources, and may be dependent upon a particular niche of the market. *Applicable to the following strategies: Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV and Rivington Diversified International Equity by WHV.*

Sector Risk. The account may focus its investments from time to time in a limited number of economic sectors. The account may not have exposure to all economic sectors. To the extent that it does so, developments affecting companies in that sector or sectors will likely have a magnified effect on the account's value and total returns and may subject the account to greater risk of loss. Accordingly, the account could be considerably more volatile than a broad-based market index or benchmark, or mutual fund, that is diversified across a greater number of securities and sectors. Moreover, depending upon the sector exposures used, the account may be more volatile than a broad-based index or benchmark. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified International Equity by WHV.*

Portfolio Turnover Risk. The risk that high portfolio turnover is likely to lead to increased expenses that may result in lower investment returns. High portfolio turnover is also likely to result in higher short-term capital gains taxable to shareholders. *Applicable to the following strategies: International Equity, Global Equity, Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified International Equity by WHV.*

Liquidity Risk. Investments may be or become difficult to sell. During periods of market turbulence or low trading activity, in order to meet withdrawals it may be necessary to sell securities at prices or times that are disadvantageous. Additionally, the market for certain investments may be or become illiquid independent of any specific adverse changes in the conditions of a particular issuer. The market for lower-quality debt securities is generally even less liquid than the market for higher-quality securities. Adverse publicity and investor perceptions, as well as new and proposed laws, also may have a greater negative impact on the market for lower-quality securities. *Applicable to all strategies.*

Valuation Risk. The securities in the account may be difficult to value, and valuations may change, resulting in the risk that the account has valued certain of its securities at a higher price than it can sell them. *Applicable to the following strategy: International Equity, Global Equity, Rivington Diversified Global*

Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified International Equity by WHV.

Currency Risk. Because foreign securities generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect an account's value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. Because the value of an account is determined on the basis of U.S. dollars, the account may lose money by investing in a foreign security if the local currency of a foreign market depreciates against the U.S. dollar, even if holdings (based on local currency values) go up. Generally, a strong U.S. dollar relative to these other currencies will adversely affect the value of holdings in foreign securities. Typically, exposures to foreign currencies will not be hedged. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified Global Equity by WHV, Rivington Select Global Equity by WHV and Rivington Diversified International Equity by WHV.*

Political and Economic Risks. Investing in foreign securities is subject to the risk of political, social, or economic instability, variation in international trade patterns, the possibility of the imposition of exchange controls, expropriation, confiscatory taxation, limits on movement of currency or other assets and nationalization of assets. Any of these actions could severely affect securities prices or impair the ability to purchase or sell foreign securities or transfer assets or income back into the U.S. The economies of certain foreign markets may not compare favorably with the economy of the U.S. with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Other potential foreign market risks include difficulties in pricing securities, defaults on foreign government securities and difficulties in enforcing legal judgments in foreign courts. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of an account's investments, in non-U.S. countries. These factors are extremely difficult, if not impossible, to predict and take into account. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified International Equity by WHV.*

Governmental Supervision and Regulation/Accounting Standards Risk. Holding assets outside of the U.S. entails additional risks, as there may be limited or no regulatory oversight of the operations of foreign custodians, and there could be limits on the ability to recover assets if a foreign bank, depositary or issuer of a security, or one of their agents, goes bankrupt. Many foreign governments do not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as such regulations exist in the U.S. They also may not have laws to protect investors that are comparable to U.S. securities laws. For example, some foreign countries may have no laws or rules against insider trading. In addition, some countries may have legal systems that may make it difficult to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to foreign investments. Accounting standards in other countries are not necessarily the same as in the U.S. If the accounting standards in another country do not require as much detail as U.S. accounting standards, it may be harder to completely and accurately determine a company's financial condition. *Applicable to the following strategies: Global Equity, International Equity, Rivington Diversified Global Equity by WHV, Rivington Select International Equity by WHV, and Rivington Diversified International Equity by WHV.*

Arbitrage Risk: Securities purchased pursuant to an arbitrage strategy that intended to take advantage of the perceived relationship between the values of two securities may not perform as expected. *Applicable to the following strategy: Tactical Long/Short Credit.*

Asset Allocation Risk: Allocation decisions between equity securities, on the one hand, and fixed income securities, on the other hand, will not anticipate market trends successfully. For example, investing too heavily in common stocks during a stock market decline may result in a failure to preserve capital. Conversely, investing too heavily in fixed income securities during a period of stock market appreciation may result in lower total returns. *Applicable to the following strategy: Tactical Long/Short Credit.*

Credit (or Default) Risk: The inability or unwillingness of an issuer or guarantor of a fixed income security, or a counterparty to a repurchase or other transaction, to meet its payment or other financial obligations will adversely affect the value of an account's investments and its returns. Changes in the credit rating of a debt security held by an account could have a similar effect. *Applicable to the following strategy: Tactical Long/Short Credit.*

Convertible Securities Risk: The value of an account's convertible securities may decline in response to such factors as rising interest rates and fluctuations in the market price of the common stock underlying the convertible securities. *Applicable to the following strategy: Tactical Long/Short Credit.*

Debt Extension Risk: When interest rates rise, certain obligations could be paid off by the obligor more slowly than anticipated, causing the value of these securities to fall. *Applicable to the following strategy: Tactical Long/Short Credit.*

Defaulted Securities Risk: Repayment of defaulted securities and obligations of distressed issuers (including insolvent issuers or issuers in payment or covenant default, in workout or restructuring or in bankruptcy or in solvency proceedings) is subject to significant uncertainties. Investments in defaulted securities and obligations of distressed issuers are considered speculative as are junk bonds in general. *Applicable to the following strategy: Tactical Long/Short Credit.*

Derivatives Risk: Derivative instruments involve risks different from direct investments in underlying securities. These risks include imperfect correlation between the value of the instruments and the underlying assets; risks of default by the other party to certain transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions; and risks that the transactions may not be liquid. The risks associated with certain derivative instruments, including futures, options and swap contracts include: the potential inability to terminate or sell a position, the lack of a liquid secondary market for an account's position and the risk that the counterparty to the transaction will not meet its obligations. *Applicable to the following strategy: Tactical Long/Short Credit.*

Distressed Securities Risk: Distressed securities are speculative and involve substantial risks in addition to the risks of investing in junk bonds. An account will generally not receive interest payments on the distressed securities and may incur costs to protect its investment. In addition, distressed securities involve the substantial risk that principal will not be repaid. These securities may present a substantial risk of default or may be in default at the time of investment. An account may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal of or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, an account may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. *Applicable to the following strategy: Tactical Long/Short Credit.*

The following risk factor is specific to the WHV proprietary mutual funds – the WHV International Equity Fund, Rivington Diversified Global Equity by WHV Fund, Rivington Select International Equity by WHV Fund, and Rivington Diversified International Equity by WHV Fund.

Limited Operating History Risk: The Funds have a limited operating history upon which prospective investors can rely in making a determination whether or not to invest in the strategy.

Item 9: Disciplinary Information

We and our supervised persons have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of us or our employees.

Item 10: Other Financial Industry Activities and Affiliations

Sub-Advisory Relationships

We have entered into a sub-advisory agreement with one SEC-registered investment advisor to provide sub-advisory services for the WHV/Acuity Fund (a "Sub-Adviser"). In each case, our clients pay one investment management fee to WHV only. We pay the Sub-Adviser a percentage of the investment management fees we collect for that strategy or Fund.

> *Acuity Capital Management.* Acuity Capital Management, LLC ("Acuity") serves as Sub-Adviser for the WHV/Acuity Tactical Long/Short Fund.
>
> *Hirayama Investments.* Hirayama Investments is co-owned by WHV and Richard K. Hirayama. Under a services agreement between WHV and Hirayama Investments, WHV, in return for no more than WHVs own costs, provided Hirayama Investments with personnel, administrative and compliance support services and office space.
>
> That services agreement, and other ancillary agreements between WHV and Hirayama Investments and/or Richard K Hirayama, were modified by an Amendment and Transition Agreement between WHV and Hirayama Investments, effective January 1, 2016 (the "Amendment and Transition Agreement").
>
> Effective February 15, 2016, Hirayama Investmentsceased its investment activities as Sub-Adviser for the WHV International Equity Fund.
>
> Effective February 28, 2016, Richard K. Hirayama, retired from his positions with the Adviser and Hirayama Investments.
>
> Pursuant to the Amendment and Transition Agreement, Hirayama Investments will continue to manage client assets for the WHV International Equity and Global Equity strategies for a certain limited number of clients under the terms of their individual investment management agreements until such time as the termination, notification and potential succession requirements of each of those specific agreements has lapsed, which is anticipated as occurring on or about June 30, 2016.

By June 30, 2016, Hirayama Investments will no longer be providing sub-advisory services to WHV. However, pursuant to the Amendment and Transition Agreement, Richard K. Hirayama will receive, for a period of three years from the execution of such agreement, a fee equal to 25% of the fees received by WHV for any assets that were managed by Hirayama Investments prior to the execution date of the Amendment and Transition Agreement that have transitioned over to WHV.

As discussed above, the WHV/EAM Funds and WHV/Seizert Fund were closed to new investors as of March 4, 2016. The final liquidation of the WHV/EAM Funds will occur on or about March 31, 2016 whereas the final liquidation of the WHV/Seizert Fund will occur on or about April 29, 2016. Each Sub-Adviser will be responsible for the Funds investment activity until the final liquidation date is reached.

EAM Global Investors. EAM Global Investors, LLC ("EAM") served as Sub-Adviser for the WHV/EAM International Small Cap Equity Fund and the WHV/EAM Emerging Markets Small Cap Equity Fund. WHV owns a non-controlling equity interest in EAM.

Seizert Capital Partners. Seizert Capital Partners LLC ("Seizert") served as Sub-Adviser for the WHV/Seizert Small Cap Value Equity Fund.

WHV is of the view that the current and prior sub-advisory relationships do not and did not create a material conflict of interest.

Other Financial Industry Relationships

As described above in **Item 4: Advisory Business**, we are a wholly owned subsidiary of LNIM, a private firm that holds indirect equity investments in boutique investment management firms, other investment advisers and broker-dealers, including EAM and Seizert ("Other Firms"). Certain of our board members and senior executives hold similar indirect investments in those Other Firms. Some Other Firms serve as our Sub-Advisers.

Separately, two other Firms, Northern Lights Capital Group, LLC and NLCG Distributors, LLC, provide us with business and marketing consulting services and client solicitation services in exchange for cash compensation.

From time to time, certain Other Firms may utilize the Funds for their clients. The use of the Funds will result in our earning advisory fees on the investments in the Funds.

Investment Companies

We serve as investment adviser to our proprietary mutual funds. This could pose a conflict of interest in that we could be motivated to direct WHV clients to invest in the proprietary mutual funds. Please note that if a direct client of WHV chooses to invest a portion of its assets in one of our proprietary mutual funds, the client will not pay our direct client investment management fee on those assets, but will pay management, trading, and administrative fees only at the mutual fund level.

Please see the Funds' prospectuses and statement of additional information for more information, including information on how fees are billed. Further, WHV employees are permitted to invest in the proprietary mutual funds. Please see Item 11 for further description of how WHV manages any such conflicts.

Broker Dealers

Certain of our employees are registered representatives of Foreside Financial Group for the sole purpose of marketing the Funds. Those employees will not earn transaction-based compensation for selling the Funds. Those employees are not permitted to sell any other securities and therefore will not earn a commission or other transaction-based compensation for the sale of any security to a direct client or Wrap Client for which we charge an investment management fee. However, these employees do receive a portion of the advisory fees that WHV earns on the proprietary mutual funds. These employees may have an incentive to refer investors to our proprietary mutual funds as additional investments would increase our advisory fees.

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

We have adopted a written code of ethics (our "Code") that is applicable to all "Access Persons". We adopted the Code in accordance with both Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act of 1940. Below is a brief summary of the Code. Access Persons include, generally, any member, officer or director of WHV and employees of WHV who, in relation to the advisory clients (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All WHV employees are deemed to be Access Persons. The chief compliance officer may determine that certain other individuals (such as temporary employees or contract workers) should be deemed to be Access Persons.

We will provide a copy of the Code to any client or prospective client upon request.

Our Code requires all of our employees to:

- act in clients' best interests;
- abide by all applicable regulations;
- avoid even the appearance of conflicts of interest;
- pre-clear and report on many types of personal securities transactions; and
- provide an annual report of all personal account holdings.

Our restrictions, pre-clearance and reporting requirements relating to personal securities trading apply to Access Persons, as well as their immediate family members living in the same household. Our Compliance Department monitors Access Person trading, relative to client trading, to ensure that access persons do not engage in improper transactions.

Access Person trading may create conflicts between their trading and trading for clients.   Our Access Persons are prohibited from holding and trading individual equity securities (except for reportable grandfathered securities which are permitted only to be sold), stock futures and narrow-based stock index futures, and any other types of securities not included in a list of allowed securities in the Code.

While our Code is designed to mitigate these conflicts, there is no guarantee that our policies and procedures will be successful. Access Person's activities may give rise to additional potential conflicts of interest, described below.

We act as an investment adviser to various accounts. We may give advice and take action with respect to some accounts, or for our own account, that may differ from action taken on behalf of other accounts. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that our Access Persons may buy or sell for their own account or for the accounts of other clients. We manage conflicts arising from our Access Persons' investment activities for their accounts by requiring that any transaction be made in compliance with our Code, as discussed above.

Potential conflicts of interest may also arise in connection with an Access Person's knowledge and the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Some Access Persons who have access to the size and timing of transactions may have information concerning the market impact of transactions. Access Persons may be in a position to use this information to their possible advantage or to the possible detriment of our other client accounts. An investment opportunity may also be suitable for multiple accounts we advise, but not in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. We manage these potential conflicts with Access Person transactions by requiring that any transaction be made in compliance with the Code, and potential conflicts between client accounts through our allocation procedures.

We may invest client assets in securities of companies which may be clients, or related to clients of the firm, broker-dealers or banks used by us to effect transactions for client accounts, or vendors who provide products or services to us. We may vote proxies of companies who are also investment advisory clients of the firm. We may have an incentive to favor these companies' interests due to the relationship the company has with the firm. However, our portfolio management teams do not take these relationships into consideration when evaluating companies and if a material conflict of interest arises, our proxy voting policies address how we would vote proxies. Please see **Item 17: Voting Client Securities** below.

Access Persons who invest in any of our proprietary mutual funds may have a conflict of interest in that they may have an incentive to treat the Fund preferentially as compared to other accounts we manage. However, we have adopted procedures for allocation of portfolio transactions across multiple client accounts on a fair and equitable basis over time. See "Trade Aggregation and Allocation" in **Item 12: Brokerage Practices** below. Our Portfolio Review Committee investment team regularly reviews each account for material dispersion of performance or other indicative factors, as noted in **Item 13: Review of Accounts** below. These practices help us detect and manage the potential conflict.

Item 12: Brokerage Practices

The Selection of Broker-Dealers for Client Transactions

Most clients grant us discretion over the selection and amount of securities to be bought or sold, without requiring client consent as to any particular transaction, subject to specified investment objectives and guidelines. For direct clients and the Funds, we generally have discretion to select the broker or dealer to be used and the compensation to be paid, on a transaction-by-transaction basis.

Securities may be purchased from a market maker acting as principal on a net basis with no brokerage commission and may also be purchased from underwriters at prices that include compensation to the underwriters.

We may aggregate the orders of some or all of our clients placed with a particular broker-dealer in order to facilitate orderly and efficient execution, giving each participating client the average price, as described below.

As a fiduciary, we seek to obtain best execution in all securities transactions. However, best execution involves both quantitative and qualitative elements, and does not mean that we will always obtain the best possible price or the lowest commission.

In seeking best execution, portfolio managers and traders may consider, among other things:

- the broker-dealer's capabilities with respect to providing the execution, clearance, and settlement services generally and in connection with securities of the type and in the amounts to be bought or sold;
- our actual experience with the broker-dealer;
- the reputation of the broker-dealer;
- the broker-dealer's financial strength and stability;
- clearance and settlement efficiency and promptness of execution;
- ability and willingness to maintain confidentiality and anonymity;
- frequency and manner of error resolution;
- capability of the broker-dealer to execute difficult transactions in the future;
- expertise;
- commission rates and dealer spreads;
- technological capabilities and infrastructure, including back office capabilities;
- willingness of the broker-dealer to commit capital; and
- the provision of lawful and appropriate research and brokerage services (see Research and Other Soft Dollar Benefits below).

Best available price and most favorable execution are generally considered to mean a policy of executing portfolio transactions at prices and, if applicable, commissions, which provide the maximum possible value for investment decisions, taking into account market impact costs, opportunity costs, transaction costs, commissions, spreads and service fees. In selecting broker-dealers for a particular transaction, we do not adhere to any rigid formula and relevant factors will vary for each transaction.

In foreign markets, commission and other transaction costs are often higher than those charged in the United States. In addition, we do not have the ability to negotiate commissions in some markets. Please note that services associated with foreign investing, including custody and administration, are also more expensive than analogous services pertaining to investments in U.S. securities markets.

At least semi-annually, the WHV Trade Oversight Committee evaluates the execution performance of the brokers with which WHV places client trades. The review of brokers will consist of an analysis of the criteria that WHV believes are necessary for it to make a reasonable decision about its best execution determinations. These criteria include trade concentration, commission schedule, and research budget. WHV, with the assistance of outside compliance consultants, may also review trading data relating to agency commissions paid by clients, agency commissions paid to broker-dealers, and trades executed on a principal basis with an agency commission. WHV, with the assistance of outside compliance consultants, also evaluates the Rule 606 reports for the brokers utilized to identify where brokers receive payment for order flow or may have an interest in an exchange specialist executing orders for a broker, among other conflicts of interest.

Research and Other Soft Dollar Benefits

In connection with our clients' securities transactions, we receive from certain broker-dealers research products and services, including proprietary research and research generated by third-parties. When we use client brokerage commissions to obtain research products and services, we receive a benefit because we do not have to produce or pay for the research products and services, reducing our costs. As such, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. We may effect securities transactions that cause a client to pay an amount of commission in excess of the amount of commission another broker-dealer or electronic communications network would have charged if we determine, in good faith, that the amount of commission is reasonable in relation to the value of brokerage and research services provided by the broker-dealer to us, viewed in terms of either the specific transaction or our overall responsibilities to our accounts. We use soft dollar benefits to service all of our clients' accounts, not only those that paid for the benefits. We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Our Trade Oversight Committee compiles votes from members of the research department regarding preferred broker research. After the research budget has been set, the Director of Research and the Head Equity Trader will determine which brokers to include and exclude from the official research budget. Brokers that are included in the official research budget will receive commission allocations by actual trades that we will direct to them. Brokers that received votes from our research department but which are excluded from the official research budget will receive soft dollar payments via our Commission Sharing Arrangement ("CSA") programs. The Portfolio Managers and the Head Equity Trader will present these recommendations to the Trade Oversight Committee. The recommendations must be approved by the Trade Oversight Committee before the payments are communicated to the research provider and to our CSA counterparties. The official research budget is for internal use only, and does not obligate us to place trades with any particular broker-dealer.

The types of products and services that we acquire with client brokerage commissions include financial news and research on the companies in which we invest in the form of company and industry or economic reports, financial publications, portfolio evaluation services, financial database software and services, computerized news, pricing and statistical services, analytical software, and other products or services that may enhance our investment decision making. We use these products and services to supplement our own research in our investment decision making process.

Brokerage for Client Referrals

As noted above WHV has a solicitation agreement in place with NLCG Distributors, LLC, a registered broker dealer which is an Other Firm as described in **Item 10: Other Financial Industry Activities and Affiliations**, as well as with First Republic Investment Management Inc. However, when selecting a broker-dealer to execute our clients' transactions, we do not consider whether we or any of our related persons receive client referrals from that broker-dealer or any of its related entities. Best execution is our priority in selecting broker-dealers.

We also do not pay for the distribution of our proprietary mutual funds with brokerage commissions.

Directed Brokerage

Some clients ("directed brokerage clients") may instruct us to use a particular broker-dealer ("directed broker") for some or all of the transactions in their accounts. In those cases, we will place the majority of the clients' transactions with the directed broker rather than a broker-dealer that we select. Clients who may want to direct us to use a particular broker or dealer should understand that their directed orders generally may not be aggregated with transactions of other clients. In addition, we will place the directed orders after the orders for non-directed clients have been executed. As a result, directed orders may receive less favorable prices than the prices other clients receive on transactions in the same security, and may not be executed as promptly.

We generally will not be in a position to negotiate brokerage compensation with directed brokers. In directing transactions, clients will themselves be responsible for making commission arrangements and those commissions may often be at higher rates than the commissions paid on non-directed transactions. Because of these factors, clients should consider whether the overall benefits they expect to obtain by directing us to use particular brokers will justify the disadvantages of the arrangement.

In some cases, where we believe execution quality may be improved, we may cause transactions for directed brokerage clients to be executed by a broker-dealer other than the directed broker.

If a directed brokerage client is not a participant in a Wrap Program in which a single fee covers all services, the directed broker will charge its own regular commission on the transaction. For such a directed brokerage client, this results in higher overall brokerage compensation than the client would pay if we had placed the order directly with the directed broker; the client pays not only the directed broker's commission but also the executing broker's markup or markdown. However, it also allows the client to benefit in obtaining favorable prices from aggregation of his or her transactions with those of other clients and from the directed broker's expertise. We will generally use this practice only when we believe that the overall net price and commission, including the directed broker's commission, will be at least as favorable to the client as it would be if orders were placed directly with directed brokers. However, there can be no assurance that each directed brokerage client's net price and commission on each transaction will always be more favorable.

Where WHV believes that trading directly in local markets on foreign exchanges is more likely to provide best execution and/or a higher degree of liquidity, WHV may directly place trades on local (foreign) exchanges and convert the shares to American Depository Receipts (ADRs), and may settle the transactions using "step-out" trades. For example, WHV may purchase ordinary shares of non-U.S. companies that trade on a foreign exchange (ORDs) and arrange for these ordinary shares to be converted into ADRs, which are traded in the United States but represent a specified number of shares in a foreign company. Similarly, for a sale, WHV may arrange for the ADRs to be converted to

ORDs in order to sell the shares in foreign markets. In these situations, clients may pay ADR conversion fees and related costs in addition to standard brokerage commissions or fees.

Trading for Wrap Clients

Wrap Program accounts are considered a type of directed brokerage account. In evaluating a Wrap program, Wrap Clients should understand that we do not generally select the broker-dealers to execute portfolio transactions or negotiate transaction-related compensation. In some programs, we are prohibited from selecting other broker-dealers to execute transactions. In others, we are given the authority to select other broker-dealers but the client will bear any commissions or other transaction-related expenses outside of the wrap fee.

Therefore, using other broker-dealers will generally only be practical if the quality of the other broker-dealer's execution will clearly outweigh the additional expenses the client will bear. As a result, transactions are generally effected only through the Wrap Sponsor.

Transactions for clients participating in one Wrap Program may be executed at different times and at different prices than transactions in the same security for clients in other Wrap Programs or for other clients.

A Wrap Program client may pay brokerage commissions or fees in addition the Wrap Program fees when trades are "stepped out" to broker-dealers other than the sponsor, including fees and costs associated with the purchase or sale of foreign currency to settle transactions and ADR conversion fees and related costs, which are then reflected in the "net price" the client pays for or receives from the transaction. Even where WHV is able to trade with the Wrap Program sponsor in the local (foreign) market, ADR conversion fees, local taxes, and related costs may still apply and will be incurred by the purchasing account in addition to the Wrap Program fees.

Trade Aggregation and Allocation

Although each non-wrap client account is individually managed, we often purchase and/or sell the same securities for several accounts at the same time. When practicable, we aggregate contemporaneous transactions in the same securities for clients. When we do so, participating accounts are allocated the resulting securities or proceeds (and related transaction expenses) on an average price basis. We believe combining orders in this way is advantageous to all participants. However, the average price resulting from any particular aggregated transaction could be less advantageous to a particular client than if the client had been the only account effecting the transaction or had had its transactions completed before the other clients.

If WHV is unable to fully execute an aggregated transaction, WHV will allocate such securities on a pro rata basis. Whenever a pro-rata allocation may not be reasonable (such as clients receiving odd lots or de minimis amounts, i.e., less than 10% of the pre-trade allocation), the WHV Trading team member placing the order may reallocate the order on a random basis by using the randomizer tool in our Order Management System.

Despite the advantages that can arise from aggregation of orders, in many cases we are not able to aggregate orders for all clients seeking to buy or sell the same security. This is often due to the fact that orders for Wrap/UMA clients generally must be executed by the applicable Wrap/UMA sponsor. We are unable to aggregate transactions executed through different Wrap Sponsors and/or through other brokerage firms that we select for direct clients on the basis of execution quality. In addition, directed brokerage clients may prevent us from aggregating those clients' transactions with transactions executed for other clients with a broker-dealer that we choose for best execution purposes.

Clients whose transactions are filled after other clients' transactions may receive less favorable prices. Where we cannot aggregate all trades at the same time, we will divide the clients into three groups: (i) non-directed brokerage Clients; (ii) directed brokerage & SMA Clients; and (iii) UMA Clients. We will place the order for the non-directed client group first and wait until that order has been executed before placing the orders for the directed brokerage/SMA client group. Once the directed brokerage/SMA client group's orders have been executed in accordance with the random rotation method described below, the UMA client group's orders will then be placed also in accordance with the random rotation method described below, subject to the procedures set forth in the "Communication of Transaction Information to UMA Sponsors" section below

The rotation sequence of order placement for the directed brokerage/SMA Client groups and the UMA Client groups is determined by a spreadsheet-driven random rotation (the "rotation list"). We use this random rotation method to avoid favoring one client or group of clients over other clients.

Communication of Transaction Information to UMA Sponsors

UMA sponsors execute client transactions based on our investment recommendations. We inform the UMA sponsor of the transaction to be placed in that UMA sponsor's client accounts when that UMA sponsor's turn is up on the rotation list. We will wait until we are notified by the UMA sponsor that the trade has been completed before notifying the next UMA sponsor or placing the order for the next directed sub-group in the rotation list.

When there is an instruction from a portfolio manager to buy or sell a security in all client accounts in a particular strategy, we will instruct the UMA sponsors to halt all trading activities in that security in the UMA client accounts. This prevents the UMA sponsors from entering into a transaction that is in competition with our trading in that same security on behalf of other clients. The UMA sponsor may still trade in other securities that are in our investment model, but it must wait for our notification before trading in the trade-halted security.

The trading halt instruction does not apply to UMA clients that are liquidating their accounts. UMA sponsors have discretion on when to liquidate accounts upon client instruction. However, if the instruction is for a partial withdrawal from the account, the UMA sponsor should abide by our trading halt instruction for the security. For liquidation and withdrawals in Wrap and direct client accounts, we may stop the rotation during the last ten minutes before the close of the trading day before placing the orders for liquidations or withdrawals for the trade-halted security.

Item 13: Review of Accounts

All portfolios are monitored by individual portfolio managers to ensure compliance with the respective client investment management agreements. WHV's portfolio reviews are carried out by the Chief Compliance Officer ("CCO"), and an additional member of our investment management team. The CCO meets with the lead portfolio manager of each investment strategy on a regular basis to conduct reviews of the client accounts in that particular strategy. During these portfolio reviews, the individuals present on the reviews inquire about any apparent exceptions to WHV's portfolio strategies, unusual sector weights, contacts with clients, and the nature and status of the client relationship. The reviews are intended to ensure that portfolio managers conform to the investment guidelines and restrictions that WHV established as well as those established by certain clients. The CCO maintains a record of the each portfolio review, including findings and any recommendations or mandates.

WHV's sub-advised mutual fund is monitored continuously by the Sub-Adviser in an effort to ensure compliance with each Fund's objectives and strategies. The Sub-Adviser's portfolio management teams are responsible for portfolio strategy and composition in accordance with the applicable investment guidelines and restrictions of the Fund. Ongoing reviews of markets, sectors, and individual securities are conducted by the Sub-Adviser. WHV conducts regular periodic reviews of portfolio performance results, trading activity and the Sub-Adviser's ongoing account review to ensure their strategies and allocations are consistent with the investment objectives, policies, and limitations of the Fund.

Reviews of client accounts by portfolio managers will also be triggered if a client changes his/her investment objectives, or if the market, political, or economic environment changes materially. All direct clients are encouraged to discuss their needs, goals and objectives with us and to keep us informed of any changes in their financial circumstances or investment needs.

All clients receive account statements directly from their chosen custodian on at least a quarterly basis. For direct clients, we provide a written customized appraisal or report that includes information such as portfolio evaluation, security inventory, asset allocation, projected annual income for each security and current yield at least quarterly. Confirmation of security purchases and sales are provided to clients directly by their respective custodians within a few of days of each transaction.

Wrap Program clients receive regular written portfolio reports directly from the Wrap Sponsors at least quarterly.

Item 14: Client Referrals and Other Compensation

WHV has entered into a solicitation agreement with an unaffiliated entity such that WHV receives a portion of the investment management fees generated by each account referred by WHV to such entity.

In addition, as noted above, WHV pays a portion of our management fees to an Other Firm, as described above in **Item 10: Other Financial Industry Affiliations and Activities**, in connection with a client solicitation agreement.

Furthermore, as noted above, WHV will pay a fee equal to 25% of the fees received by WHV for any assets that were managed by Hirayama Investments prior to the execution date of the Amendment and Transition Agreement that have transitioned over to WHV, as described above in **Item 10: Other Financial Industry Affiliations and Activities.**

We may in the future, compensate other affiliated or unaffiliated entities for client referrals, or be compensated by other affiliated or unaffiliated entities for client referrals. We will amend this ADV as needed to reflect any such change (generally via the annual ADV amendment). Any future arrangements will comply with Rule 206(4)-3 under the Advisers Act.

Item 15: Custody

All of our clients' accounts, including the accounts of our proprietary mutual funds, are held in custody by unaffiliated broker-dealers or banks, but we can access many clients' accounts though our ability to debit advisory fees. For this reason, we are considered to have custody of some clients' assets. Account custodians send statements directly to the account owners on at least a quarterly basis. We may also send reports directly to clients on a quarterly basis. Clients should carefully review the account custodians' statements and should compare these statements to any account information we provide.

Item 16: Investment Discretion

We have investment discretion over most clients' accounts. Clients grant us trading discretion through the execution of our advisory contract.

Direct clients and, to a lesser extent, Wrap Clients, can place reasonable restrictions on our investment discretion. For example, some clients have asked us not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis. Any guidelines or restrictions applicable to an account are set forth in the client's advisory contract or related investment policy statement. For our proprietary mutual funds, guidelines and restrictions applicable to the Funds are set forth in the Funds' registration statement. The Sub-Advisers of our proprietary mutual funds exercise trading discretion over the Funds that they manage. As noted above, we do not have discretion to execute trades through certain UMA Programs.

Item 17: Voting Client Securities

We vote proxies of companies owned by clients who have granted us voting authority, and clients can specifically request not to delegate proxy voting authority to us. In accordance with our fiduciary duty to clients and in compliance with Rule 206(4)-6 of the Advisers Act, we have adopted and implemented written policies and procedures governing the voting of client securities where we have this authority. All proxies that we receive will be treated in accordance with these policies and procedures.

Our proxy voting process is managed by a Proxy Committee which is composed of portfolio managers, security analysts and Operations staff. We have retained Glass Lewis & Co., LLC ("Glass Lewis") to assist in the coordination and voting of client proxies.

In general, we vote in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. We also generally vote in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance and that align the interests of management and shareholders. We supplement our evaluation of client proxies with guidance from Glass Lewis.

Our procedures are reasonably designed to assure that we vote every eligible share with the exception of shares domiciled in share blocking countries and certain ordinary shares in foreign markets. Share blocking countries restrict share transactions for various periods surrounding the meeting date. We have taken the position that share liquidity generally has a higher value than the vote and usually do not vote shares subject to transaction restrictions. Some international markets require special powers of attorney to vote certain ordinary shares. These markets are few and our ordinary share holdings relatively modest when weighed against the onerous documentation requirements and generally we have determined not to attempt to qualify our proxy votes for these shares.

Our proxy voting procedures address potential conflicts of interest in connection with voting proxies. Such a conflict could arise if, for example, the company issuing proxies was affiliated with a client of ours. Any material conflict between our interests and those of a client will be resolved in the best interests of our client. In the event we become aware of such a conflict, we will (a) disclose the conflict and obtain the client's consent before voting its shares, (b) vote in accordance with a pre-determined policy based on the independent analysis and recommendation of our voting agent or (c) make other voting arrangements consistent with our fiduciary obligations.

A copy of our proxy voting policies and procedures, as well as specific information about how we have voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies, or can give us instructions about how to vote their respective shares. For clients retaining responsibility to vote their own proxies, the clients must arrange with their custodian to ensure they receive applicable proxies.

Item 18: Financial Information

We have never filed for bankruptcy and are not aware of any financial condition that is expected to affect our ability to manage client accounts.

HIRAYAMA INVESTMENTS
WHV AFFILIATED SUBADVISOR

Form ADV Part 2A
(the "Brochure")

301 Battery Street, Suite 400
San Francisco, CA 94111
415-981-6911

Updated: March 30, 2016

This brochure provides information about the qualifications and business practices of Hirayama Investments, LLC ("Hirayama Investments" or "we"). If you have any questions about the contents of this brochure, please contact us at 415-981-6911 or info@whv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Hirayama Investments is also available on the SEC's website at: www.adviserinfo.sec.gov.

We may sometimes refer to ourselves as a registered investment adviser. This means that we are registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, status as a registered investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

Since the last annual amendment was filed in March 2015 the following material changes have been made:

- Effective February 28, 2016, Richard K. Hirayama ("Hirayama"), the founder of Hirayama Investments, retired from his positions with Hirayama Investments, and as portfolio manager of the WHV International Equity Fund (the "Fund").
- As of the date of this Brochure, Hirayama Investments is in the process of shutting down and terminating its business of providing investment advice, although it continues to conduct business with an increasingly limited number of legacy clients until its anticipated shut down, which it believes will occur on or about June 30, 2016.
- The description of the firm's services herein are largely historical, and do not, for the most part, apply to current business operations except to the extent that they describe transitional services that are being provided to legacy clients as they transition away from the management of their investments by Hirayama Investments during this limited period.

Please note that this summary discusses only material changes that have occurred since the last annual update of the Brochure.

Item 3: Table of Contents

Item 4: Advisory Business

We were founded in June 2008 and are owned by Mr. Richard K. Hirayama and WHV Investments, Inc. ("WHV"). WHV, in turn, is wholly owned by Laird Norton Investment Management, Inc., ("LNIM") a holding company that is a subsidiary of Laird Norton Company, LLC, a privately held company. Please see **Item 10: Other Financial Industry Activities and Affiliations** section for further discussion of our affiliation with WHV.

We became registered as an investment adviser with the SEC on August 5, 2008. As of the date of this Brochure, Hirayama Investments is in the process of shutting down and terminating its business of providing investment advice, although it continues to conduct business with an increasingly limited number of legacy clients until its anticipated shut down, which it believes will occur by June 30, 2016.

The majority of accounts that Hirayama Investments has historically served have either transitioned to WHV or have liquidated their investments.

Hirayama Investments is not accepting any new clients, and the firm is providing transitional services to a limited and diminishing number of clients for a period, which period is expected to end on or about June 30, 2016. The description of the firm's services herein are largely historical, and do not, for the most part, apply to current business operations except to the extent that they describe transitional services that are being provided to legacy clients as they transition away from the management of their investments by Hirayama Investments during this limited period.

We previously sub-advised the International Equity and Global Equity portfolios of WHV's clients pursuant to a series of agreements between Hirayama and/or Hirayama Investments and WHV, consisting of (i) a sub-advisory agreement (the "Sub-Advisory Agreement"), (ii) a services agreement describing the scope and cost of services provided by WHV to Hirayama Investments (the "Services Agreement"), (iii) an employment agreement between WHV and Hirayama (the "Employment Agreement"), and (iv) a personal services agreement between Hirayama and WHV(the "Personal Services Agreement", and collectively, the "Services Agreements").

On January 1, 2016, WHV, Hirayama Investments, and Hirayama amended the Sub-Advisory Agreement, the Services Agreement, and the Employment Agreement, and terminated the Personal Services Agreement by means of executing an Amendment and Transition Agreement (the "Amendment and Transition Agreement").

Pursuant to the terms of the Amendment and Transition Agreement, the Hirayama Investments subadvised clients were offered the choice of transitioning management of their investments to WHV's in-house Rivington team, or to terminate their investments. At the end of the transitional period, which as of the date of this Brochure, is still pending, all of Hirayama Investments' subadvised clients will either have their investments managed by Rivington or be liquidated, at which point, Hirayama Investments will cease doing business as an investment adviser. The end of the transition period is anticipated to occur on or about June 30, 2016. For the purposes of this Brochure, we are referring to such clients as "legacy clients."

Until such time as our legacy clients have, pursuant to the individual investment management agreements we maintain with them, transitioned to WHV or another investment management firm, or liquidated their assets with us, as described above, we will be providing the following services on a limited basis, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 4.

Historically, we have provided discretionary and non-discretionary sub-advisory services to the following types of clients:

- institutional clients (including proprietary and third-party mutual funds, pension and profit sharing plans, trusts, estates, charitable organizations, governmental entities, business entities, and private funds) and individual clients (collectively, "direct clients")
- clients in broker-sponsored programs wrap fee programs (" Wrap Clients")
- clients in Unified Managed Accounts programs ("UMA Programs"), and
- sponsors of UMA Programs where we provide the sub-advisory services to the sponsors rather than to the underlying UMA clients.

The following description is a description of services and how we have historically worked as an investment adviser:

Previously, through WHV, we worked with each direct client to establish an appropriate investment profile. For Wrap Clients, financial advisors working for the Wrap Sponsor, as defined below, guided the clients to select the appropriate investment strategy we offered. Clients chose from International Equity and Global Equity strategies. Direct clients were able, traditionally, to impose reasonable restrictions on our management of their accounts. Wrap Clients were only able to impose a limited range of restrictions on our management of their accounts.

In our prior business, we could not guarantee that a client's investment objectives would be achieved, and we did not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy, or the success of the overall management of any account. The investment decisions we made for clients was subject to risks, and we indicated, as we continue to indicate, that investment decisions would not always be profitable. Please see **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss** below for more information about our strategies and related investment risks, which, when we were soliciting new clients, we advised such prospective clients to review carefully before deciding to engage us.

Generally, we had offered our sub-advisory services on a fully discretionary basis. As of February 29, 2016, we managed approximately $602,816,272 of assets on a discretionary basis and $276,321,105 of assets on a non-discretionary basis. As stated above, we anticipate de-registering as an investment adviser by or around June 30, 2016.

WHV International Equity Fund (the "Fund")

Previously, until February 15, 2016, we provided investment advice to the Fund, an open-ended mutual fund. The Fund offers multiple share classes, as described in the Fund's prospectus. As of that date, Hirayama Investments terminated its role as Sub-Adviser to the Fund, which was then advised by WHV through its in-house Rivington portfolio management team.

Participation in Wrap Programs

Hirayama Investments previously served as a sub-adviser to WHV for wrap fee program accounts ("Wrap Programs") sponsored by brokerage firms and/or their affiliates ("Wrap Sponsors"). Under these Wrap Programs, the Wrap Sponsors typically performed some or all of the following:

- recommended our strategy to their Wrap Clients;
- executed the clients' portfolio transactions without charging a transaction-based fee;
- monitored our performance; and
- acted as a custodian.

Wrap Sponsors charged a client a single fee for performing these services and paid a portion of that fee to WHV for investment management services. As negotiated between a client and a Wrap Sponsor, WHV's investment management fee may have differed from the fee schedules charged for direct clients as shown under **Item 5: Fees and Compensation**. Under some of these programs, the Wrap Sponsor may not have provided all of these services.

Wrap Program accounts typically granted WHV full investment discretion (which WHV delegated to us for the International/Global Equity strategies) depending on the individual needs of the client, as communicated to WHV by the Wrap Sponsor. However, WHV generally did not have the discretion to select the broker-dealers to execute portfolio transactions for Wrap Clients, as discussed in the **Brokerage Practices** section. Wrap Clients generally had the ability to establish special limitations on the investments in their portfolios. Wrap Clients were required to notify their Wrap Sponsor, who then notified WHV, who then notified us of any changes to the clients' financial condition, investment objectives, risk tolerance, and restrictions.

The majority of our Wrap Sponsors terminated their programs with us and we are transitioning the small number of wrap sponsors that remain away from Hirayama Investments. The information provided herein is largely for historical and reference purposes.

Participation in UMA Programs

WHV participated in several UMA programs sponsored by broker-dealers and an unaffiliated investment advisory firm. We, through WHV, provided our investment model to the UMA sponsors, but neither we nor WHV executed transactions for the UMA clients since the UMA sponsors execute transactions in the UMA client accounts at their discretion. WHV was responsible for communicating any changes to its investment models and our investment model to the UMA sponsor on a timely basis. Please see **Item 12: Brokerage Practices** for a discussion of how WHV communicated transaction information to UMA sponsors.

UMA clients were generally not considered to be our clients, but rather clients of the UMA sponsor.

We have terminated or, as set forth above, are in the process of terminating our role with the UMA sponsors as described above. The information provided herein is largely for historical and reference purposes.

Item 5: Fees and Compensation

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. The information provided herein is largely for historical and reference purposes, although, as indicated above, we anticipate servicing a very limited number of legacy clients through June 30, 2016, and describe fees and compensation in this Item 5 to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 6.

Investment Management Fees for Direct Clients

Historically, for all WHV clients for which we served as sub-adviser, we were compensated by WHV a percentage of the management fee earned by WHV. The compensation to us ranged from 55% to 70% of the management fees received by WHV, depending on the total assets under our management, with the rate escalating as overall assets increased. We received these payments quarterly in arrears.

By June 30, 2016, we will no longer be providing sub-advisory services to WHV. However, pursuant to the Amendment and Transition Agreement, Hirayama will receive, for a period of three years from the execution of the amendment, a fee equal to 25% of the fees received by WHV for any assets that were managed by Hirayama Investments prior to the execution date of the Amendment and Transition Agreement that have transitioned over to WHV.

We provided investment advice only to persons or entities who were clients of WHV and thus we did not receive fees from any persons or entities other than WHV. Since WHV's fees were relevant to our clients, they are discussed below. We received fees from WHV; clients paid WHV but did not pay us separately.

The WHV standard investment management fee schedule for the International Equity and Global Equity strategies under which we were compensated was as follows:

First $10 Million	1.00%
Next $15 Million	.80%
Next $25 Million	.75%
Next $50 Million	.60%
Above $100 Million	.50%

In limited circumstances, WHV, in its sole discretion, may have negotiated to charge a lesser management fee than reflected on the fee schedule above.

WHV may have amended its fee schedule at any time. Other investment advisers may have charged lower fees for comparable services. In some cases and at the request of the client, WHV may have agreed to provide our investment management services to a "qualified client" for a performance-based fee in accordance with the requirements of Rule 205-3 of the Advisers Act. While the specific terms of these arrangements were negotiated with each client, generally, WHV would have charged its fees based upon a percentage of the market value of the assets being managed ("management fee") in addition to a fee based on the performance of the account ("performance-based fee"). Please see

Item 6: Performance-Based Fees and Side-by-Side Management for more information on potential conflicts that may have arisen from performance-based fees.

Most clients authorized WHV to deduct fees automatically from their brokerage accounts, but clients may have requested that WHV send quarterly invoices to be paid by check.

If a client terminated (or terminates, with respect to legacy clients) the investment management agreement with WHV in the middle of a billing period, WHV would have (or will, in the case of legacy clients) invoice the client for an amount that was (or is, in the case of legacy clients), pro-rated based on the number of days that the account was managed.

In addition to WHV's investment management fee, clients paid (or in the case of legacy clients, pay) transaction and custodial fees. If WHV invested a client's portfolio in a third-party mutual fund, the client would have paid WHV's investment management fee as well as a separate layer of management, trading, and administrative fees at the mutual fund level. If a client chose to invest in one of WHV's proprietary mutual funds, the client would not have paid WHV's investment management fee, but would have paid management, trading, and administrative fees at the mutual fund level.

Fees on Proprietary Mutual Fund

On February 15, 2016, we ceased serving as sub-adviser to the WHV International Equity Fund. The information provided herein is largely for historical and reference purposes.

Our only compensation from the WHV International Equity Fund was a portion of the 1.00% investment management fee that WHV received on the assets under management in the Fund. If a direct client of WHV chose to invest a portion of his/her assets in the Fund, the client would not have paid WHV's direct client investment management fee on those assets, but would have paid management, trading, and administrative fees at the mutual fund level. Please see the Fund's prospectus and statement of additional information for more information, including information on how fees were billed.

Fees received from Wrap/UMA Sponsors

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of wrap sponsors as we wind down our business, as of the date of this Brochure, we have ceased providing investment management services to any and all previous UMA sponsors. The information provided herein is largely for historical and reference purposes.

Wrap Sponsors paid between 0.35% to 1.00% to WHV for investment management services, based on scale and volume of the assets under management in the Wrap or UMA Program. As discussed above, we received a portion of the fee that WHV received.

Generally, WHV's fees were calculated and billed quarterly, in advance, by the Wrap or UMA sponsors, based on the market value of assets under management at the beginning of each quarter. If the client were to have terminated before the end of the prepaid quarter, a refund would have been paid on a pro-rata basis.

General

In addition to WHV's investment management fees, clients paid (or, in the case of legacy clients, pay) transaction fees, including commissions and mark-ups, and custodial fees. Please see **Item 12: Brokerage Practices** for more information on WHV's brokerage practices. If we were to have invested a client's portfolio in a third-party investment vehicle, such as a mutual fund or an exchange-traded fund, the client would have paid WHV's investment management fee on the portion of assets invested in the investment vehicle in addition to the separate layer of management, trading, and administrative fees that were charged at the investment vehicle level.

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

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 6.

As noted above, WHV may agree to enter into a performance-based fee with clients.

The terms of each arrangement will be negotiable on a case-by-case basis but generally, and as noted above, WHV will charge a management fee and performance fee.

We may manage accounts that pay performance-based fees side-by-side with clients that pay only management fees. We face potential conflicts of interest in that we may have an incentive to favor accounts that pay performance-based fees. Performance-based compensation can create an incentive for us to make investments that are riskier or more speculative than would be the case where we are only paid a base fee. Depending on the performance of the portfolio, we may be paid more or less compared to the management fee received on other portfolios that we manage.

WHV's investment advisory compliance manual contains policies and procedures designed to mitigate or manage these conflicts of interest, including policies and procedures to seek fair and equitable trade allocations among all clients, regardless of the type of fees paid by the clients. We have adopted the policies and procedures contained in WHV's investment advisory compliance manual. Please see **Item 12: Brokerage Practices** below. In addition, it is our policy not to invest in initial public offerings or to engage in short selling or options writing.

WHV's compliance team periodically monitors the performance of accounts paying a performance-based fee compared to accounts in the same strategy that do not pay performance-based fees to ensure that no preferential treatment is given to those accounts. There is no guarantee that relevant policies and procedures will cover every situation in which a conflict of interest arises.

Item 7: Types of Clients

Until we complete the wind down and termination of our business, as described throughout this Form ADV, Part 2A, we have traditionally served as sub-adviser to WHV clients, which have included:

- individuals;

- investment companies, particularly the WHV mutual fund for which we act as sub-adviser;
- pension and profit sharing plans;
- trusts;
- estates;
- charitable organizations;
- government entities;
- private funds; and
- other business entities

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 7.

WHV also provided advice to Wrap Clients through broker-sponsored Wrap Programs, and advised clients in UMA Programs. In some cases, WHV provided advice to the sponsor of UMA Programs, rather than to the underlying UMA clients. We may have served as sub-adviser to such clients.

We did not accept new accounts separately from WHV. Commencing on January 1, 2016, WHV no longer accepted accounts in the International Equity and Global strategies sub-advised by us.

For direct accounts, WHV generally does not accept new accounts with less than $5 million in assets for Global and International Equity. For Wrap Clients, WHV generally does not accept new accounts with less than $100,000 in assets, although WHV may make exceptions to accommodate the requirements of the specific Wrap Sponsor.

The WHV International Equity Fund generally has investment minimums, requiring $5,000 to invest in Class A and Class C shares and $500,000 to invest in class I shares. Please see the Fund's prospectus for more information as certain types of accounts may have had different minimum investment requirements.

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

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this brochure, we intend to exit the investment management business by June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 8.

The International Equity and Global Equity research effort was comprised of about 80% in-house research, and 20% external research. We looked for sectors of the global economy best positioned for growth and those securities that we believed were poised to best capture that growth.

Following thorough sector analysis, our investment process searched for those securities that we believed have long-term dynamic earnings growth prospects. The portfolio managers worked as generalists to research and suggested securities for addition or removal from the International/Global

Equity model portfolios. They performed quantitative valuation modeling and used research to determine consensus earnings per share and growth estimates for those securities that they closely followed. The data was then analyzed to conclude whether the sell side forecasts were on target, too high or too low.

The portfolio managers used a qualitative research overlay to make the final stock selection decision. As a part of the security selection process, they analyzed various income and balance sheet ratios. They compared these ratios to those of previous quarters so that any growth trends could have been identified.

The portfolio managers looked for improving trends that they believed would translate to superior earnings growth. Securities within the International/Global Equity portfolios generally exhibited the following characteristics: earnings/growth momentum and earnings surprise.

We primarily invested for relatively long time horizons, often for a year or more. Our strategies did not involve frequent trading of securities. However, market developments could have caused us to buy or sell securities more quickly.

It was our policy not to invest in initial public offerings or private placements. In addition, it was our policy not to engage in short selling or option writing.

Investment Risks

All investing involves a risk of loss that clients should be prepared to bear. As with any investment strategy, there can be no guarantee that a strategy will meet its goals or that the strategy's performance will be positive for any period of time. Our strategies were subject to a number of risks, including the following:

Management Risk. As with any investment program, portfolio managers may not be successful in selecting the best-performing securities or investment techniques, and the account's performance may lag behind that of other accounts. There is no assurance that an account will meet its investment objectives and produce the intended results. The account may also miss out on an investment opportunity because the assets necessary to take advantage of the opportunity are tied up in less advantageous investments.

Market Risk. The market value of a security may, sometimes rapidly and unpredictably, fluctuate. The prices of securities change in response to many factors including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.

Equity Securities Risk. Stock markets are volatile. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. The price of equity securities may decline due to factors that affect a particular industry or industries, or due to general market conditions unrelated to a company or industry, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in the general outlook for corporate earnings, changes in interest or currency rates or generally adverse investor interest.

American Depositary Receipts ("ADRs"). ADRs evidence ownership of, and represent the right to receive, securities of foreign issuers deposited in a domestic bank or trust company or a foreign correspondent bank. Prices of ADRs are quoted in U.S. dollars, and ADRs are traded in the U.S. on exchanges or over-the-counter. ADRs are still subject to the political and economic risks of the underlying issuer's country and are still subject to foreign currency exchange risk. ADRs will be issued under sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities traded in the form of depositary receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information about an issuer that has participated in the creation of a sponsored program. There may be an increased possibility of untimely responses to certain corporate actions of the issuer, such as stock splits and rights offerings, in an unsponsored program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between this information and the market value of the ADRs.

Foreign Over-the-Counter Securities. In some cases, the best available market for foreign securities will be on over-the-counter ("OTC") markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This directly or indirectly exposes the account to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Therefore, to the extent that the account engages in trading on OTC markets, it could be exposed to greater risk of loss through default than if the account confined its trading to regulated exchanges. Please see below for more discussion of foreign securities risk.

Foreign Securities Risk. Investing in foreign (non-U.S.) securities may result in the account experiencing more rapid and extreme changes in value than an account that invests exclusively in securities of U.S. companies, due to less liquid securities and markets, and adverse economic, political, diplomatic, financial, and regulatory factors. For example, recent developments with certain Eurozone countries have caused the prices of securities to decline throughout the region. In addition, there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, making it more difficult for an account to buy and sell securities on those exchanges. Foreign governments also may impose limits on investment and repatriation and impose taxes. Income from foreign issuers may be subject to non-U.S. withholding taxes. In some countries, an account also may be subject to taxes on trading profits and, on certain securities transactions, transfer or stamp duties tax. Settlement and clearance procedures in certain foreign markets differ significantly from those in the U.S. and may involve certain risks (such as delays on payment for or delivery of securities) not typically associated with the settlement of U.S. investments. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards or to other regulatory requirements that apply to U.S. companies. As a result, less information may be available concerning non-U.S. issuers. Accounting and financial reporting standards in emerging markets may be especially lacking. Further, it is often more expensive to trade securities in foreign markets as commissions are generally higher than in the U.S., and foreign exchanges and investment professionals are subject to less governmental regulation than in the U.S. Any of these events could cause the value of the account's investments to decline.

Emerging Market Risk. Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. Investments in emerging markets may be considered speculative. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, many emerging securities markets have far lower trading volumes and less liquidity than developed markets. Since these markets are often small, they may be more likely to suffer sharp and frequent price changes or long-term price depression because of adverse publicity, investor perceptions or the actions of a few large investors. Also, there may be less publicly available information about issuers in emerging markets than would be available about issuers in more developed capital markets, and these issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those in developed markets.

Many emerging markets have histories of political instability and abrupt changes in policies. As a result, their governments are more likely to take actions that are hostile or detrimental to private enterprise or foreign investment than those of more developed countries, including expropriation of assets, confiscatory taxation, high rates of inflation or unfavorable diplomatic developments. In the past, governments of these nations have expropriated substantial amounts of private property, and most claims of the property owners have never been fully settled. If this occurs, it is possible that the entire investment in the affected market could be lost. Some countries have pervasiveness of corruption and crime that may hinder investments. Certain emerging markets may also face other significant internal or external risks, including the risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth. Emerging markets may also have differing legal systems and the existence or possible imposition of exchange controls, custodial restrictions or other foreign or U.S. governmental laws or restrictions applicable to such investments. Sometimes, they may lack or be in the relatively early development of legal structures governing private and foreign investments and private property. In addition to withholding taxes on investment income, some countries with emerging markets may impose differential capital gains taxes on foreign investors.

Sector Risk. The account may focus its investments from time to time in a limited number of economic sectors. The account may not have exposure to all economic sectors. To the extent that it does so, developments affecting companies in that sector or sectors will likely have a magnified effect on the account's value and total returns and may subject the account to greater risk of loss. Accordingly, the account could be considerably more volatile than a broad-based market index or benchmark, or mutual fund, that is diversified across a greater number of securities and sectors. Moreover, depending upon the sector exposures used, the account may be more volatile than a broad-based index or benchmark.

Liquidity Risk. Investments may be or become difficult to sell. During periods of market turbulence or low trading activity, in order to meet withdrawals it may be necessary to sell securities at prices or times that are disadvantageous. Additionally, the market for certain investments may be or become illiquid independent of any specific adverse changes in the conditions of a particular issuer. The market for lower-quality debt securities is generally even less liquid than the market for higher-quality securities. Adverse publicity and investor perceptions, as well as new and proposed laws, also may have a greater negative impact on the market for lower-quality securities.

Currency Risk. Because foreign securities generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect an account's value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. Because the value of an account is determined on the basis of U.S. dollars, the account may lose money by investing in a foreign security if the local currency of a foreign market depreciates against the U.S. dollar, even if holdings (based on local currency values) go up. Generally, a strong U.S. dollar relative to these other currencies will adversely affect the value of holdings in foreign securities. Typically, exposures to foreign currencies will not be hedged.

Political and Economic Risks. Investing in foreign securities is subject to the risk of political, social, or economic instability, variation in international trade patterns, the possibility of the imposition of exchange controls, expropriation, confiscatory taxation, limits on movement of currency or other assets and nationalization of assets. Any of these actions could severely affect securities prices or impair the ability to purchase or sell foreign securities or transfer assets or income back into the U.S. The economies of certain foreign markets may not compare favorably with the economy of the U.S. with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Other potential foreign market risks include difficulties in pricing securities, defaults on foreign government securities and difficulties in enforcing legal judgments in foreign courts. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of an account's investments, in non-U.S. countries. These factors are extremely difficult, if not impossible, to predict and take into account.

Governmental Supervision and Regulation/Accounting Standards Risk. Holding assets outside of the U.S. entails additional risks, as there may be limited or no regulatory oversight of the operations of foreign custodians, and there could be limits on the ability to recover assets if a foreign bank, depositary or issuer of a security, or one of their agents, goes bankrupt. Many foreign governments do not supervise and regulate stock exchanges, brokers and the sale of securities to the same extent as such regulations exist in the U.S. They also may not have laws to protect investors that are comparable to U.S. securities laws. For example, some foreign countries may have no laws or rules against insider trading. In addition, some countries may have legal systems that may make it difficult to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to foreign investments. Accounting standards in other countries are not necessarily the same as in the U.S. If the accounting standards in another country do not require as much detail as U.S. accounting standards, it may be harder to completely and accurately determine a company's financial condition.

Valuation Risk. The securities in the account may be difficult to value, and valuations may change, resulting in the risk that the account has valued certain of its securities at a higher price than it can sell them

Item 9: Disciplinary Information

We and our supervised persons have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of us or our supervised persons.

Item 10: Other Financial Industry Activities and Affiliations

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 10.

Until as such date as we conclude our business, as described throughout this Form ADV, Part 2A, we have been affiliated with WHV, for which we previously served as sub-adviser for the WHV International Equity and Global Equity strategies. Thereafter, we are winding down our operations and will no longer provide investment management services. However, as discussed above, pursuant to the Amendment and Transition Agreement, we will be paid a fee for a three-year term, equal to 25% of fees received by WHV for any investment management services for assets that transferred from Hirayama Investments to WHV pursuant to certain definitions of such business under the terms of the Amendment and Transition Agreement.

WHV's clients pay one investment management fee to WHV only. We are paid by WHV a percentage of the investment management fees that WHV collects from its clients who are invested in the International and Global Equity strategies. Please refer to WHV's ADV Part 2A for further information regarding any financial industry affiliations that WHV may have independent of our affiliation with them.

WHV International Equity Fund

Effective February 15, 2016, we ceased serving as a sub-adviser to the WHV International Equity Fund which is a registered investment company. Please see **Item 11** for potential conflicts related to the fact that WHV and Hirayama Investments may recommend Fund securities to clients.

Broker Dealers

Certain WHV employees were, and continue to be registered representatives of Foreside Financial Group for the sole purpose of marketing the WHV International Equity Fund and other WHV proprietary mutual funds. Those employees did not and will not earn transaction-based compensation for selling the Funds. Those employees were not and are not permitted to sell any other securities and therefore did not and will not earn a commission or other transaction-based compensation for the sale of any security to a direct client or Wrap Client for which WHV charges an investment management fee. However, these employees did receive a portion of the advisory fees that WHV earned on the WHV proprietary mutual funds. These employees may have had an incentive to refer investors to the WHV proprietary mutual funds as additional investments would have increased our advisory fees.

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

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 11. As we transition clients away from Hirayama Investments, we believe it is especially important for us to reiterate that these brokerage practices set forth in this Item 11 of this Form ADV, Part 2A for Hirayama Investments continue to apply until such time as our business as an investment adviser is terminated.

Code of Ethics

We have adopted WHV's written code of ethics (the "Code") and compliance manual that is applicable to all "Access Persons" of WHV and Hirayama. All references to Access Persons include Access Persons of Hirayama. We adopted the Code in accordance with both Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act of 1940. Below is a brief summary of the Code. Access Persons include, generally, any member, officer or director of WHV or Hirayama and employees of WHV or Hirayama who, in relation to the advisory clients (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All WHV and Hirayama employees are deemed to be Access Persons. The chief compliance officer may determine that certain other individuals (such as temporary employees or contract workers) should be deemed to be Access Persons.

We will provide a copy of the Code to any client or prospective client upon request. The Code requires all supervised persons, to:

- act in clients' best interests;
- abide by all applicable regulations;
- avoid even the appearance of conflicts of interest, pre-clear and report on many types of personal securities transactions; and
- provide an annual report of all personal account holdings.

Our Access Persons are prohibited from holding and trading individual equity securities (except for reportable grandfathered securities which are permitted only to be sold), stock futures and narrow-based stock index futures, and any other types of securities not included in a list of allowed securities in the Code.

Restrictions, pre-clearance and reporting requirements relating to personal securities trading apply to Access Persons, as well as Access Persons' immediate family members living in the same household. WHV's Compliance Department monitors Access Person trading, relative to client trading, to ensure that Access Persons do not engage in improper transactions.

While the Code is designed to mitigate these conflicts, there is no guarantee that the policies and procedures will be successful. Access Person's activities may give rise to additional potential conflicts of interest, described below.

Potential Conflicts of Interest

Access Persons' trading creates potential conflicts between their trading and trading for clients.

Access Persons who invest in one or more of WHV's proprietary funds may have a conflict of interest in that they may have an incentive to treat that Fund preferentially as compared to other accounts we manage. However, we have adopted procedures for allocation of portfolio transactions across multiple client accounts on a fair and equitable basis over time. See "Trade Aggregation and Allocation" in **Item 12: Brokerage Practices** below. The CCO and an additional member of WHV's investment team regularly reviews each account for material dispersion of performance or other indicative factors, as noted in **Item 13: Review of Accounts** below. These practices help us detect and manage the potential conflict.

As detailed previously, we served as a sub-adviser to various accounts. We may give advice and take action with respect to some accounts that may differ from action taken on behalf of other accounts. We and WHV are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that our Access Persons may buy or sell for their own account or for the accounts of other clients. WHV and Hirayama manage conflicts arising from its Access Persons' investment activities for their accounts by requiring that any transaction be made in compliance with the Code, as discussed above.

Potential conflicts of interest may also arise in connection with an Access Person's knowledge and the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments. Some Access Persons who have access to the size and timing of transactions may have information concerning the market impact of transactions. Access Persons may be in a position to use this information to their possible advantage or to the possible detriment of our other client accounts. An investment opportunity may also be suitable for multiple accounts we advise, but not in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. We manage these potential conflicts with Access Person transactions by requiring that any transaction be made in compliance with the Code, and potential conflicts between client accounts through the allocation procedures.

We may invest client assets in securities of companies which may be clients, or related to clients of the firm, broker-dealers or banks used by WHV to effect transactions for client accounts, or vendors who provide products or services to us or WHV. We may vote proxies of companies who are also investment advisory clients of the firm. We may have an incentive to favor these companies' interests due to the relationship the company has with the firm or WHV. However, our portfolio management teams do not take these relationships into consideration when evaluating companies and if a material conflict of interest arises, our proxy voting policies address how we would vote proxies. Please see **Item 17: Voting Client Securities** below.

Item 12: Brokerage Practices

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by or about June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 12. As we transition clients away from Hirayama Investments, we believe it is especially important for us to reiterate that these brokerage practices set forth in this Item 12 of this Form ADV, Part 2A for Hirayama Investments continue to apply until such time as our business as an investment adviser is terminated, and to the extent that the description of such practices in this Item 12 apply to WHV, to the best of our knowledge, those practices will continue until changed or amended by WHV. Please refer to **Item 12: Brokerage Practices** in the Brochure for WHV.

The Selection of Broker-Dealers for Client Transactions

All our clients are clients of WHV for which we provided investment sub-advisory services. We will generally not be responsible for executing orders for clients; rather we will select investments and, to the extent WHV has discretion to execute client orders, WHV will place the order to execute the transactions.

Most clients grant WHV discretion over the selection and amount of securities to be bought or sold, without requiring client consent as to any particular transaction, subject to specified investment objectives and guidelines. For direct clients, and the mutual funds which it advises, WHV generally has discretion to select the broker or dealer to be used and the compensation to be paid, on a transaction-by-transaction basis.

Securities may be purchased from a market maker acting as principal on a net basis with no brokerage commission and may also be purchased from underwriters at prices that include compensation to the underwriters.

WHV may aggregate the orders of some or all of its clients placed with a particular broker-dealer in order to facilitate orderly and efficient execution, giving each participating client the average price, as described below.

As a fiduciary, WHV seeks to obtain best execution in all securities transactions. However, best execution involves both quantitative and qualitative elements, and does not mean that WHV will always obtain the best possible price or the lowest commission.

In seeking best execution, WHV portfolio managers and traders may consider, among other things:

- the broker-dealer's capabilities with respect to providing the execution, clearance, and settlement services generally and in connection with securities of the type and in the amounts to be bought or sold;
- WHV's actual experience with the broker-dealer;
- the reputation of the broker-dealer;
- the broker-dealer's financial strength and stability ;

- clearance and settlement efficiency and promptness of execution;
- ability and willingness to maintain confidentiality and anonymity;
- frequency and manner of error resolution;
- capability of the broker-dealer to execute difficult transactions in the future;
- expertise;
- commission rates and dealer spreads;
- technological capabilities and infrastructure, including back office capabilities;
- willingness of the broker-dealer to commit capital,; and
- the provision of lawful and appropriate research and brokerage services (see Research and Other Soft Dollar Benefits below).

Best available price and most favorable execution are generally considered to mean a policy of executing portfolio transactions at prices and, if applicable, commissions, which provide the maximum possible value for investment decisions, taking into account market impact costs, opportunity costs, transaction costs, commissions, spreads and service fees. In selecting broker-dealers for a particular transaction, WHV does not adhere to any rigid formula and relevant factors will vary for each transaction.

In foreign markets, commission and other transaction costs are often higher than those charged in the United States. In addition, WHV does not have the ability to negotiate commissions in some markets. Please note that services associated with foreign investing, including custody and administration, are also more expensive than analogous services pertaining to investment in U.S. securities markets.

At least semi-annually, the WHV Trade Oversight Committee evaluates the execution performance of the brokers with which WHV places client trades. The review of brokers will consist of an analysis of the criteria that WHV believes are necessary for it to make a reasonable decision about its best execution determinations. These criteria include trade concentration, commission schedule, and research budget. WHV, with the assistance of outside compliance consultants, may also review trading data relating to agency commissions paid by clients, agency commissions paid to broker-dealers, and trades executed on a principal basis with an agency commission. WHV, with the assistance of outside compliance consultants, also evaluates the Rule 606 reports for the brokers utilized to identify where brokers receive payment for order flow or may have an interest in an exchange specialist executing orders for a broker, among other conflicts of interest.

Research and Other Soft Dollar Benefits

We may request WHV, to the extent consistent with WHV's execution duties, to select broker-dealers at least partially in recognition of the value of various research services or products, beyond transaction execution.

In connection with its clients' securities transactions, WHV receives from certain broker-dealers research products and services, including proprietary research and research generated by third-parties. When WHV uses client brokerage commissions to obtain research products and services, we or WHV receive a benefit because we or WHV do not have to produce or pay for the research products and services, reducing our and WHV's costs. As such, we and WHV may have an incentive to request, select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. WHV may effect securities transactions that cause a client to pay an amount of commission in excess of the amount of commission another broker-dealer or electronic communications network would have charged if WHV determines, in good faith, that the amount of commission is reasonable in relation to the value of brokerage and research services provided by the broker-dealer to us, viewed in terms of either the specific transaction or WHV's overall responsibilities to the clients. WHV uses soft dollar benefits to service all of its clients' accounts, not only those that paid for the benefits. WHV does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The WHV Trade Oversight Committee compiles votes from members of the research department regarding preferred broker research. After the research budget has been set, the Director of Research and the Head Equity Trader will determine which brokers to include and exclude from the official research budget. Brokers that are included in the official research budget will receive commission allocations by actual trades that WHV will direct to them. Brokers that received votes from WHV's research department but which are excluded from the official research budget will receive soft dollar payments via Commission Sharing Arrangement ("CSA") programs. WHV's Portfolio Managers and the Head Equity Trader will present these recommendations to the Trade Oversight Committee. The recommendations must be approved by the Trade Oversight Committee before the payments are communicated to the research provider and to our CSA counterparties. The official research budget is for internal use only, and does not obligate WHV to place trades with any particular broker-dealer.

The types of products and services that we acquire with client brokerage commissions include financial news and research on the companies in which we invest in the form of company and industry or economic reports, financial publications, portfolio evaluation services, financial database software and services, computerized news, pricing and statistical services, analytical software, and other products or services that may enhance our investment decision making. We use these products and services to supplement our own research in our investment decision making process.

Brokerage for Client Referrals

We do not, either directly or indirectly through WHV, use client brokerage to compensate or otherwise reward brokers for client referrals. We also do not pay for distribution of the WHV International Equity Fund with brokerage commissions. Please refer to WHV's ADV for a description of their solicitation agreements.

Directed Brokerage

As WHV will generally execute orders for all of our clients, some clients ("directed brokerage clients") may instruct WHV to use a particular broker-dealer ("directed broker") for some or all of the transactions in their accounts. In those cases, WHV will place the majority of the clients' transactions with the directed broker rather than a broker-dealer that it selects. Clients who may want to direct WHV to use a particular broker or dealer should understand that their directed orders generally may not be aggregated with transactions of other clients. In addition, WHV will place the directed orders after the orders for non-directed clients have been executed. As a result, directed orders may receive less favorable prices than the prices other clients receive on transactions in the same security and may not be executed as promptly.

WHV generally will not be in a position to negotiate brokerage compensation with directed brokers. In directing transactions, clients will themselves be responsible for making commission arrangements and those commissions may often be at higher rates than the commissions paid on non-directed transactions. Because of these factors, clients should consider whether the overall benefits they expect to obtain by directing us to use particular brokers will justify the disadvantages of the arrangement.

In some cases, where WHV believes execution quality may be improved, it may cause transactions for directed brokerage clients to be executed by a broker-dealer other than the directed broker.

If a directed brokerage client is not a participant in a Wrap Program in which a single fee covers all services, the directed broker will charge its own regular commission on the transaction. For such a directed brokerage client, this results in higher overall brokerage compensation than the client would pay if we had placed the order directly with the directed broker; the client pays not only the directed broker's commission but also the executing broker's markup or markdown. However, it may also allow the client to benefit in obtaining favorable prices from aggregation of his or her transactions with those of other clients and from the directed broker's expertise. WHV will generally use this practice only when it believes that the overall net price and commission, including the directed broker's commission, will be at least as favorable to the client as it would be if orders were placed directly with directed brokers. However, there can be no assurance that each directed brokerage client's net price and commission on each transaction will always be more favorable.

Where WHV believes that trading directly in local markets on foreign exchanges is more likely to provide best execution and/or a higher degree of liquidity, WHV may directly place trades on local (foreign) exchanges and convert the shares to American Depository Receipts (ADRs), and may settle the transactions using "step-out" trades. For example, WHV may purchase ordinary shares of non-U.S. companies that trade on a foreign exchange (ORDs) and arrange for these ordinary shares to be converted into ADRs, which are traded in the United States but represent a specified number of shares in a foreign company. Similarly, for a sale, WHV may arrange for the ADRs to be converted to ORDs in order to sell the shares in foreign markets. In these situations, clients may pay ADR conversion fees and related costs in addition to standard brokerage commissions or fees.

Trading for Wrap Clients

Wrap Program accounts are considered a type of directed brokerage account. In evaluating a Wrap program, Wrap Clients should understand that WHV does not generally select the broker-dealers to execute portfolio transactions or negotiate transaction-related compensation. In some programs, WHV is prohibited from selecting other broker-dealers to execute transactions. In others, WHV is given the authority to select other broker-dealers but the client will bear any commissions or other transaction-related expenses outside of the wrap fee.

Therefore, using other broker-dealers will generally only be practical if the quality of the other broker-dealer's execution will clearly outweigh the additional expenses the client will bear. As a result, transactions are generally effected only through the Wrap Sponsor.

Transactions for clients participating in one Wrap Program may be executed at different times and at different prices than transactions in the same security for clients in other Wrap Programs or for other clients.

A Wrap Program client may pay brokerage commissions or fees in addition the Wrap Program fees when trades are "stepped out" to broker-dealers other than the sponsor, including fees and costs associated with the purchase or sale of foreign currency to settle transactions and ADR conversion fees and related costs, which are then reflected in the "net price" the client pays for or receives from the transaction. Even where WHV is able to trade with the Wrap Program sponsor in the local (foreign) market, ADR conversion fees, local taxes, and related costs may still apply and will be incurred by the purchasing account in addition to the Wrap Program fees.

Trade Aggregation and Allocation

Although each non-wrap client account is individually managed, WHV often purchases and/or sells the same securities for several accounts at the same time, including accounts we sub-advise. We will generally not be involved in decisions to aggregate orders.

When practicable, WHV aggregates contemporaneous transactions in the same securities for clients. When it does so, participating accounts are allocated the resulting securities or proceeds (and related transaction expenses) on an average price basis. WHV believes combining orders in this way is advantageous to all participants. However, the average price resulting from any particular aggregated transaction could be less advantageous to a particular client than if the client had been the only account effecting the transaction or had had its transactions completed before the other clients.

If WHV is unable to fully execute an aggregated transaction, WHV will allocate such securities on a pro rata basis. Whenever a pro-rata allocation may not be reasonable (such as clients receiving odd lots or de minimis amounts, i.e., less than 10% of the pre-trade allocation), the WHV Trading team member placing the order may reallocate the order on a random basis by using the randomizer tool in WHV's Order Management System.

Despite the advantages that can arise from aggregation of orders, in many cases WHV is unable to aggregate orders for all clients seeking to buy or sell the same security. This is often due to the fact that orders for Wrap Clients generally must be or should be executed by the applicable Wrap Sponsor (or its affiliated or designated brokers). WHV is unable to aggregate transactions executed through different Wrap Sponsors and/or through other brokerage firms that WHV selects on the basis of execution quality. In addition, directed brokerage clients may prevent WHV from aggregating those clients' orders with orders that WHV places for other clients with a broker-dealer that WHV chooses for best execution purposes.

Clients whose transactions are filled after other clients' transactions may receive less favorable prices. Where WHV cannot aggregate all trades at the same time, WHV will divide the clients into three groups: (i) non-directed clients brokerage Clients; (ii) directed brokerage & SMA Clients; and (iii) UMA Clients. WHV will place the order for the non-directed client group first and wait until that order has been executed before placing the orders for the directed brokerage/SMA client group. Once the directed brokerage/SMA client group's orders have been executed in accordance with the random rotation method described below, the UMA client group's orders will then be placed also in accordance with the random rotation method described below, subject to the procedures set forth in the "Communication of Transaction Information to UMA Sponsors" section below.

The rotation sequence of order placement for the directed brokerage/SMA Client groups and the UMA Client groups is determined by a spreadsheet-driven random rotation (the "rotation list"). WHV uses this random rotation method to avoid favoring one client or group of clients over other clients.

WHV's policies apply to all of its clients, whether or not a particular client is or was sub-advised by us.

Communication of Transaction Information to UMA Sponsors

UMA sponsors execute client transactions based on investment recommendations from the portfolio manager for a given UMA model. Prior to February 2016, Hirayama Investment was the subadviser/portfolio manager to several UMA sponsor accounts, but as described above, was replaced by WHV's Rivington team on certain UMA accounts. (Other UMA sponsors previously subadvised by Hirayama Investments have liquidated their accounts The process is described in the present tense with respect to WHV as WHV still maintains UMA sponsor accounts, and for historical and reference purposes:

WHV informs the UMA sponsor of the transaction to be placed in that UMA sponsor's client accounts when that UMA sponsor's turn is up on the rotation list. WHV will wait until it is notified by the UMA sponsor that the trade has been completed before notifying the next UMA sponsor or placing the order for the next directed sub-group in the rotation list.

When there is an instruction from a portfolio manager to buy or sell a security in all client accounts in a particular strategy, WHV will instruct the UMA sponsors to halt all trading activities in that security in the UMA client accounts. This prevents the UMA sponsors from entering into a transaction that is in competition with our trading in that same security on behalf of other clients. The UMA sponsor may still trade in other securities that are in WHV's investment model, but it must wait for our notification before trading in the trade-halted security.

The trading halt instruction does not apply to UMA clients that are liquidating their accounts. UMA sponsors have discretion on when to liquidate accounts upon client instruction. However, if the instruction is for a partial withdrawal from the account, the UMA sponsor should abide by our trading halt instruction for the security. For liquidation and withdrawals in Wrap and direct client accounts, WHV may stop the rotation during the last ten minutes before the close of the trading day before placing the orders for liquidations or withdrawals for the trade-halted security.

Item 13: Review of Accounts

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by or about June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 13.

The portfolio managers reviewed the investments in our client accounts continuously. Reviews of client accounts were also triggered if a client changed its investment objectives, or if the market, political, or economic environment changed materially. All direct clients invested in the International Equity and/or Global Equity strategies were, and in the case of legacy clients, are encouraged to discuss their needs, goals and objectives with WHV and us and to keep us and WHV informed of any changes in their financial circumstances or investment needs.

WHV's portfolio reviews were carried out by the Chief Compliance Officer ("CCO"), and by an additional member of our investment management team. The CCO met with the lead portfolio manager of each investment strategy on a regular basis to conduct reviews of the client accounts in that particular strategy. During these portfolio reviews, the individuals present on the reviews inquired about any apparent exceptions to WHV's portfolio strategies, unusual sector weights, contacts with clients, and the nature and status of the client relationship. The reviews were intended to ensure that portfolio managers conformed to the investment guidelines and restrictions that WHV established as well as those established by certain clients. The CCO maintained a record of the each portfolio review, including findings and any recommendations or mandates.

All clients received account statements directly from their chosen custodian on at least a quarterly basis. For direct clients, WHV provided a written customized appraisal or report that included information such as portfolio evaluation, security inventory, asset allocation, projected annual income for each security and current yield at least quarterly. Confirmation of security purchases and sales were provided to clients directly by their respective custodians within a few days of each transaction.

Wrap Clients received regular written portfolio reports directly from the Wrap Sponsors at least quarterly.

Item 14: Client Referrals and Other Compensation

We do not pay any parties for the referral of any clients to us. Please see the WHV Brochure for information regarding its solicitation agreements. We are in the process of winding down our business and will cease engaging in the investment advisory business by June 30, 2016. We are not presently taking any new clients.

We do not receive any economic benefits from non-clients, apart from WHV, in connection with the provision of investment advice to clients. As previously discussed, WHV pays us a portion of the management fee they receive from the clients that we sub-advise. Also, as previously discussed, pursuant to the terms of the Amendment and Transition Agreement, WHV will pay 25% of investment management fees it receives from former clients of Hirayama Investments that transition their investment advisory business to WHV for a period of three years from the date of the execution of the Amendment and Transition Agreement.

Item 15: Custody

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by or about June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 15.

All client accounts were held, except for the remaining legacy accounts, which are held, in custody by unaffiliated broker/dealers or banks. Hirayama Investments does not bill any clients. WHV is the entity that bills Hirayama Investments' clients and will continue to do so until the termination of Hirayama's investment advisory business.[1]. WHV can access many clients' accounts though its ability to debit advisory fees. For this reason, WHV is considered to have custody of some clients' assets. Account custodians send statements directly to the account owners on at least a quarterly basis. WHV may send reports directly to our clients on a quarterly basis. Clients should carefully review the account custodians' statements and should compare these statements to any account information provided by WHV.

Item 16: Investment Discretion

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 16.

We have investment discretion over all clients' accounts.

Direct clients and, to a lesser extent, Wrap Clients, can place reasonable restrictions on WHV's and our investment discretion. For example, some clients have asked WHV not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis. In those cases, we will follow the client's instructions. Any guidelines or restrictions applicable to an account are set forth in the client's advisory contract or related investment policy statement. For the WHV International Equity Fund, guidelines and restrictions applicable to the Fund are set forth in the Fund's registration statement.

As noted above, neither we nor WHV have discretion to execute trades through certain UMA Programs.

Item 17: Voting Client Securities

We have terminated or, as set forth above, are in the process of terminating our role as an investment adviser as described above. While we are providing services to a limited number of clients as we wind down our business, as of the date of this Brochure, we intend to exit the investment management business by June 30, 2016. The information provided herein is largely for historical and reference purposes, and to document that to the extent we maintain business during this transitional period, we run such business in conformity with the practices described in this Item 17. As we transition clients away from Hirayama, we believe it is especially important for us to reiterate that these proxy voting practices set forth in this Item 17 of this Form ADV, Part 2A for Hirayama continue to apply until such time as our business as an investment adviser is terminated, and to the extent that the description of such practices in this Item 17 apply to WHV, to the best of our knowledge, those

[1] Technically, WHV will be billing Hirayama Investments' former clients during the period it is contractually committed to paying Hirayama Investments the 25% of fees collected from transitioned clients for the three-year term pursuant to the Amendment and Transition Agreement.

practices will continue until changed or amended by WHV. Please refer to Item 17: Voting Client Securities in the Brochure for WHV.

In general, when acting as sub-adviser to WHV's clients, we do not vote proxies and defer proxy voting responsibilities to WHV. Mr. Hirayama, (or one of the portfolio managers on the team, with input from Mr. Hirayama, as the portfolio managers for our International and Global Equity strategies until such time, as described above, that Hirayama Investments ceases business as an investment adviser, which we anticipate will be by June 30, 2016), will offer any necessary guidance to WHV's Proxy Voting Committee with respect to voting such securities. WHV's proxy voting policies and procedures are described in WHV's Form ADV Part 2 and are excerpted below.

WHV votes proxies of companies owned by clients who have granted WHV voting authority, and clients can specifically request not to delegate proxy voting authority to WHV. In accordance with its fiduciary duty to clients and in compliance with Rule 206(4)-6 of the Advisers Act, WHV has adopted and implemented written policies and procedures governing the voting of client securities where WHV has this authority. All proxies that we receive will be treated in accordance with these policies and procedures.

WHV's proxy voting process is managed by a Proxy Committee which is composed of portfolio managers, security analysts and Operations staff. WHV has retained Glass Lewis & Co., LLC ("Glass Lewis") to assist in the coordination and voting of client proxies.

In general, WHV votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. WHV also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance and that align the interests of management and shareholders. WHV supplements its evaluation of client proxies with guidance from Glass Lewis.

WHV's procedures are reasonably designed to assure that WHV votes every eligible share with the exception of shares domiciled in share blocking countries and certain ordinary shares in foreign markets. Share blocking countries restrict share transactions for various periods surrounding the meeting date. WHV has taken the position that share liquidity generally has a higher value than the vote. As such, WHV usually does not vote shares subject to transaction restrictions. Some international markets require special powers of attorney to vote certain ordinary shares. These markets are few and our ordinary share holdings relatively modest when weighed against the onerous documentation requirements and generally WHV has determined not to attempt to qualify its proxy votes for these shares.

WHV's proxy voting procedures address potential conflicts of interest in connection with voting proxies. Such a conflict could arise if, for example, the company issuing proxies was affiliated with a client of WHV. Any material conflict between our interests and those of a client will be resolved in the best interests of the client. In the event WHV becomes aware of such a conflict, it will (a) disclose the conflict and obtain the client's consent before voting its shares, (b) vote in accordance with a pre-determined policy based on the independent analysis and recommendation of our voting agent or (c) make other voting arrangements consistent with its fiduciary obligations.

A copy of WHV's proxy voting policies and procedures, as well as specific information about how it has voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies, or can give WHV instructions about how to vote their respective shares. For clients retaining responsibility to vote their own proxies, the clients must arrange with their custodian to ensure they receive applicable proxies.

Item 18: Financial Information

Hirayama Investments is terminating its investment advisory business and will de-register with the SEC on or around June 30, 2016.

It has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts or provide advice to legacy client accounts.

WHV Investments, Inc.
Form ADV Part 2B
(the "Brochure Supplement")
WHV International Equity;
Rivington Diversified International Equity by WHV;
Rivington Diversified Global Equity by WHV; and
Rivington Select International Equity by WHV

301 Battery Street, Suite 400
San Francisco, CA 94111
415-981-6911
www.whv.com

Updated March 2016

This brochure supplement provides information about Matthias Knerr, Chris LaJaunie and Andrew Manton that supplements Form ADV Part 2A (the "Brochure") of WHV Investments, Inc. ("WHV"). You should have received a copy of those brochures. Please contact our Marketing Team at 415-981-6911 or via email at inquiry@whv.com if you did not receive either WHV's brochure or if you have any questions about the contents of this brochure supplement.

Additional information about Matthias Knerr, Christopher LaJaunie and Andrew Manton is available on the SEC's website at www.adviserinfo.sec.gov.

Matthias Knerr, CFA[1]
Senior Portfolio Manager

Educational Background and Business Experience
Matthias Knerr was born in 1973. He has a BS in Finance and International Business from Penn State University and holds the Chartered Financial Analyst designation.

Matthias Knerr, CFA is a Senior Portfolio Manager at WHV. He brings 20 years of investing experience to the team, most recently as the CIO of Global Equities at Victory Capital where he was also the lead manager on five investment strategies: Victory International Fund, Victory International Select, Global Equity, Global Select, and Global Select Long/Short. Additionally, Mr. Knerr served in various capacities at Deutsche Asset Management including lead manager of the DWS International and DWS International Select Equity strategies, co-manager of the Deutsche Global Select Equity portfolio and the Bankers Trust European Equity Fund, and as global head of industrials research.

Disciplinary Information
Mr. Knerr has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Knerr or of WHV.

Other Business Activities
Mr. Knerr is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of WHV.

Additional Compensation
Mr. Knerr does not receive economic benefits from any person or entity other than WHV in connection with the provision of investment advice to clients.

Supervision
Mr. Knerr's investment recommendations are supervised by WHV's Compliance Department, and is also subject to the provisions of the Compliance Manual and Code of Ethics and is supervised by Lawrence Hing, Chief Compliance Officer, as it relates to the operation of WHV's compliance program. Mr. Hing can be reached by calling the telephone number on the cover of this brochure supplement.

[1] To earn a CFA charter, you must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program, which is organized into three levels, each culminating in a six-hour exam. To learn more about the program, please visit www.cfainstitute.org.

Chris LaJaunie, CFA[2]
Senior Portfolio Manager

Educational Background and Business Experience

Chris LaJaunie was born in 1970. He has an MFA in English from Louisiana State University and holds the Chartered Financial Analyst designation.

Mr. LaJaunie was most recently co-lead portfolio manager of four investment strategies at Victory Capital: Victory International Fund, Victory International Select, Global Select, and Global Select Long/Short. Prior to his employment at Victory, Mr. LaJaunie was a lead analyst at Deutsche Asset Management on the DWS International and DWS International Select Equity investment strategies; a lead manager on a long/short global resources and commodities portfolio at Morgan Stanley Capital Strategies; and an analyst on the Emerging Markets Absolute Return Equities team at Oaktree Capital.

Disciplinary Information

Mr. LaJaunie has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. LaJaunie or of WHV.

Other Business Activities

Mr. LaJaunie is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of WHV.

Additional Compensation

Mr. LaJaunie does not receive economic benefits from any person or entity other than WHV in connection with the provision of investment advice to clients.

[2] To earn a CFA charter, you must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program, which is organized into three levels, each culminating in a six-hour exam. To learn more about the program, please visit www.cfainstitute.org.

Andrew Manton
Senior Portfolio Manager

Educational Background and Business Experience
Andrew Manton was born in 1975. He has a BS in Finance from the University of Illinois at Chicago and an MBA with a concentration in Quantitative Finance and Accounting from the Tepper School of Business at Carnegie Mellon University.

Andrew Manton is a Senior Portfolio Manager at WHV. He previously served as a Senior Research Analyst and a member of the Large Cap Global Equities team at Victory Capital Management since 2008. Prior, he was an analyst in both the fundamental Active Equities and Quantitative Strategies groups at Deutsche Asset Management.

Disciplinary Information
Mr. Manton has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Manton or of WHV.

Other Business Activities
Mr. Manton is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of WHV.

Additional Compensation
Mr. Manton does not receive economic benefits from any person or entity other than WHV in connection with the provision of investment advice to clients.

Supervision
Mr. Manton's investment recommendations are supervised by WHV's Compliance Department, and is also subject to the provisions of the Compliance Manual and Code of Ethics and is supervised by Lawrence Hing, Chief Compliance Officer, as it relates to the operation of WHV's compliance program. Mr. Hing can be reached by calling the telephone number on the cover of this brochure supplement.

WHV Investments, Inc.
Hirayama Investments, LLC
Client Privacy Notice

GUIDING PRINCIPLES

The relationship between WHV Investments, Inc. ("WHV") (collectively "we", "us" or "our") and our clients is the most important asset of our firm. We strive to maintain your trust and confidence, an essential aspect of which is our commitment to protect your personal information to the best of our ability. We believe that all of our clients value their privacy, so we will not disclose your personal information to anyone unless it is required by law, at your direction, or is necessary to provide you with our services. We have not and will not sell your personal information to anyone.

THE PERSONAL INFORMATION WE COLLECT, MAINTAIN AND COMMUNICATE

WHV collects and maintains your personal information so we can provide investment management services to you. The types and categories of information we collect and maintain about you include:

- Information we receive from you to open an account or provide investment advice to you (such as your home address, telephone number, and financial information);
- Information that we generate in managing your account (such as trade tickets and account statements); and
- Information that we may receive from third parties with respect to your account (such as trade confirmations from brokerage firms).

In order to provide investment management services to you, we permit access to your personal information in very limited instances, which include:

- Disclosures to companies – subject to strict confidentiality agreements – that perform services on our behalf (such as our technology consultants who assist in maintaining our computer systems); and
- Disclosures to companies as permitted by law, including those necessary to manage your account (such as providing account information to brokers and custodians).

HOW WE PROTECT YOUR PERSONAL INFORMATION

To fulfill our privacy commitment at WHV, we have instituted firm-wide practices to safeguard the information that we maintain about you. These include:

- Adopting policies and procedures that put in place physical, electronic, and other safeguards to keep your personal information safe.
- Limiting access to personal information to those employees who need it to perform their job duties.
- Requiring third parties that perform services for us to agree by contract to keep your information strictly confidential.
- Protecting information of our former clients to the same extent as our current clients.

PROTECTING THE PRIVACY OF OUR CLIENTS IS THE JOB OF EVERY WHV INVESTMENT MANAGEMENT EMPLOYEE!

PROXY PAPER™

GUIDELINES

2016 PROXY SEASON

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

UNITED STATES

GLASS LEWIS

Table of Contents

Guidelines Introduction

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant section of this document:

SUMMARY OF CHANGES FOR THE 2016 UNITED STATES POLICY GUIDELINES

CONFLICTING MANAGEMENT AND SHAREHOLDER PROPOSALS

We have outlined our approach to analyzing and determining whether to support conflicting management and shareholder proposals. Specifically, we will consider the following:

- The nature of the underlying issue;
- The benefit to shareholders from implementation of the proposal;
- The materiality of the differences between the terms of the shareholder proposal and management proposal;
- The appropriateness of the provisions in the context of a company's shareholder base, corporate structure and other relevant circumstances; and
- A company's overall governance profile and, specifically, its responsiveness to shareholders as evidenced by a company's response to previous shareholder proposals and its adoption of progressive shareholder rights provisions (see p. 22).

EXCLUSIVE FORUM PROVISIONS

We have refined our approach to companies that include exclusive forum provisions in their governing documents in connection with an initial public offering. Specifically, we will no longer recommend that shareholders vote against the chairman of the nominating and governance committee in such situations. Instead, we will weigh the presence of an exclusive forum provision in a newly-public company's bylaws in conjunction with other provisions that we believe will unduly limit shareholder rights such as supermajority vote requirements, a classified board or a fee-shifting bylaw. However, our policy to recommend voting against the chairman of the nominating and governance committee when a company adopts an exclusive forum provision without shareholder approval outside of a spin-off, merger or IPO will not change.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

We have codified our policy regarding our view of the responsibilities of directors for oversight of environmental and social issues. The codification provides more clarity about instances when we may consider recommending shareholders vote against directors for lapses in environmental and social risk management at companies (see p. 15).

NOMINATING COMMITTEE PERFORMANCE

We have revised the guidelines to clarify that we may consider recommending shareholders vote against the chair of the nominating committee where the board's failure to ensure the board has directors with relevant experience, either through periodic director assessment or board refreshment, has contributed to a company's poor performance (see p. 14).

DIRECTOR OVERBOARDING POLICY

Glass Lewis recognizes that the time directors are devoting to their board obligations has increased in recent years. That, coupled with increased investor scrutiny of directors' commitments, has resulted in directors serving on fewer boards. Therefore, in 2016 Glass Lewis will closely review director board commitments and may note as a concern instances of directors serving on more than five total boards, for directors who are not also executives, and more than two total boards for a director who serves as an executive of a public company. Our voting recommendations in 2016, however, will be continue to be based on our existing thresholds of three total boards for a director who serves as an executive of a public company and six total boards for directors who are not public company executives (see p. 16). Beginning in 2017, Glass Lewis will generally recommend voting against a director who serves as an executive officer of any public company while serving on a total of more than two public company boards and any other director who serves on a total of more than five public company boards.

COMPENSATION UPDATES

We have added additional information to our discussion of one-time and transitional awards to highlight some of the specific factors we evaluate in considering these awards as well as our expectations regarding the relevant disclosure. We have also added minor clarifications regarding the quantitative and qualitative factors we use to analyze equity compensation plans.

I. A Board of Directors that Serves Shareholder Interest

ELECTION OF DIRECTORS

The purpose of Glass Lewis' proxy research and advice is to facilitate shareholder voting in favor of governance structures that will drive performance, create shareholder value and maintain a proper tone at the top. Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that a board can best protect and enhance the interests of shareholders if it is sufficiently independent, has a record of positive performance, and consists of individuals with diverse backgrounds and a breadth and depth of relevant experience.

INDEPENDENCE

The independence of directors, or lack thereof, is ultimately demonstrated through the decisions they make. In assessing the independence of directors, we will take into consideration, when appropriate, whether a director has a track record indicative of making objective decisions. Likewise, when assessing the independence of directors we will also examine when a director's track record on multiple boards indicates a lack of objective decision-making. Ultimately, we believe the determination of whether a director is independent or not must take into consideration both compliance with the applicable independence listing requirements as well as judgments made by the director.

We look at each director nominee to examine the director's relationships with the company, the company's executives, and other directors. We do this to evaluate whether personal, familial, or financial relationships (not including director compensation) may impact the director's decisions. We believe that such relationships make it difficult for a director to put shareholders' interests above the director's or the related party's interests. We also believe that a director who owns more than 20% of a company can exert disproportionate influence on the board, and therefore believe such a director's independence may be hampered, in particular when serving on the audit committee.

Thus, we put directors into three categories based on an examination of the type of relationship they have with the company:

> Independent Director – An independent director has no material financial, familial or other current relationships with the company, its executives, or other board members, except for board service and standard fees paid for that service. Relationships that existed within three to five years[1] before the inquiry are usually considered "current" for purposes of this test.
>
> Affiliated Director – An affiliated director has, (or within the past three years, had) a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.[2] This includes directors whose employers have a material financial relationship with the company.[3] In addition, we view a director who either owns or controls 20% or more of the company's voting stock, or is an employee or affiliate of an entity that controls such amount, as an affiliate.[4]

1 NASDAQ originally proposed a five-year look-back period but both it and the NYSE ultimately settled on a three-year look-back prior to finalizing their rules. A five-year standard is more appropriate, in our view, because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five years. However, Glass Lewis does not apply the five-year look-back period to directors who have previously served as executives of the company on an interim basis for less than one year.

2 If a company does not consider a non-employee director to be independent, Glass Lewis will classify that director as an affiliate.

3 We allow a five-year grace period for former executives of the company or merged companies who have consulting agreements with the surviving company. (We do not automatically recommend voting against directors in such cases for the first five years.) If the consulting agreement persists after this five-year grace period, we apply the materiality thresholds outlined in the definition of "material."

4 This includes a director who serves on a board as a representative (as part of his or her basic responsibilities) of an investment firm with greater than 20% ownership. However, while we will generally consider him/her to be affiliated, we will not recommend voting against unless (i) the investment firm has disproportionate board representation or (ii) the director serves on the audit committee.

We view 20% shareholders as affiliates because they typically have access to and involvement with the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 20% holders may have interests that diverge from those of ordinary holders, for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc.

Glass Lewis applies a three-year look back period to all directors who have an affiliation with the company other than former employment, for which we apply a five-year look back.

Definition of "Material": A material relationship is one in which the dollar value exceeds:

- $50,000 (or where no amount is disclosed) for directors who are paid for a service they have agreed to perform for the company, outside of their service as a director, including professional or other services; or
- $120,000 (or where no amount is disclosed) for those directors employed by a professional services firm such as a law firm, investment bank, or consulting firm and the company pays the firm, not the individual, for services.[5] This dollar limit would also apply to charitable contributions to schools where a board member is a professor; or charities where a director serves on the board or is an executive;[6] and any aircraft and real estate dealings between the company and the director's firm; or
- 1% of either company's consolidated gross revenue for other business relationships (e.g., where the director is an executive officer of a company that provides services or products to or receives services or products from the company).[7]

Definition of "Familial": Familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home. A director is an affiliate if: i) he or she has a family member who is employed by the company and receives more than $120,000 in annual compensation; or, ii) he or she has a family member who is employed by the company and the company does not disclose this individual's compensation.

Definition of "Company": A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

Inside Director – An inside director simultaneously serves as a director and as an employee of the company. This category may include a chairman of the board who acts as an employee of the company or is paid as an employee of the company. In our view, an inside director who derives a greater amount of income as a result of affiliated transactions with the company rather than through compensation paid by the company (i.e., salary, bonus, etc. as a company employee) faces a conflict between making decisions that are in the best interests of the company versus those in the director's own best interests. Therefore, we will recommend voting against such a director.

Additionally, we believe a director who is currently serving in an interim management position should be considered an insider, while a director who previously served in an interim management position for less than one year and is no longer serving in such capacity is considered independent. Moreover, a director who previously served in an interim management position for over one year and is no longer serving in such capacity is considered an affiliate for five years following the date of his/her resignation or departure from the interim management position.

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5 We may deem such a transaction to be immaterial where the amount represents less than 1% of the firm's annual revenues and the board provides a compelling rationale as to why the director's independence is not affected by the relationship.

6 We will generally take into consideration the size and nature of such charitable entities in relation to the company's size and industry along with any other relevant factors such as the director's role at the charity. However, unlike for other types of related party transactions, Glass Lewis generally does not apply a look-back period to affiliated relationships involving charitable contributions; if the relationship between the director and the school or charity ceases, or if the company discontinues its donations to the entity, we will consider the director to be independent.

7 This includes cases where a director is employed by, or closely affiliated with, a private equity firm that profits from an acquisition made by the company. Unless disclosure suggests otherwise, we presume the director is affiliated.

VOTING RECOMMENDATIONS ON THE BASIS OF BOARD INDEPENDENCE

Glass Lewis believes a board will be most effective in protecting shareholders' interests if it is at least two-thirds independent. We note that each of the Business Roundtable, the Conference Board, and the Council of Institutional Investors advocates that two-thirds of the board be independent. Where more than one-third of the members are affiliated or inside directors, we typically[8] recommend voting against some of the inside and/or affiliated directors in order to satisfy the two-thirds threshold.

In the case of a less than two-thirds independent board, Glass Lewis strongly supports the existence of a presiding or lead director with authority to set the meeting agendas and to lead sessions outside the insider chairman's presence.

In addition, we scrutinize avowedly "independent" chairmen and lead directors. We believe that they should be unquestionably independent or the company should not tout them as such.

COMMITTEE INDEPENDENCE

We believe that only independent directors should serve on a company's audit, compensation, nominating, and governance committees.[9] We typically recommend that shareholders vote against any affiliated or inside director seeking appointment to an audit, compensation, nominating, or governance committee, or who has served in that capacity in the past year.

Pursuant to Section 952 of the Dodd-Frank Act, as of January 11, 2013, the SEC approved new listing requirements for both the NYSE and NASDAQ which require that boards apply enhanced standards of independence when making an affirmative determination of the independence of compensation committee members. Specifically, when making this determination, in addition to the factors considered when assessing general director independence, the board's considerations must include: (i) the source of compensation of the director, including any consulting, advisory or other compensatory fee paid by the listed company to the director (the "Fees Factor"); and (ii) whether the director is affiliated with the listing company, its subsidiaries, or affiliates of its subsidiaries (the "Affiliation Factor").

Glass Lewis believes it is important for boards to consider these enhanced independence factors when assessing compensation committee members. However, as discussed above in the section titled Independence, we apply our own standards when assessing the independence of directors, and these standards also take into account consulting and advisory fees paid to the director, as well as the director's affiliations with the company and its subsidiaries and affiliates. We may recommend voting against compensation committee members who are not independent based on our standards.

INDEPENDENT CHAIRMAN

Glass Lewis believes that separating the roles of CEO (or, more rarely, another executive position) and chairman creates a better governance structure than a combined CEO/chairman position. An executive manages the business according to a course the board charts. Executives should report to the board regarding their performance in achieving goals set by the board. This is needlessly complicated when a CEO chairs the board, since a CEO/chairman presumably will have a significant influence over the board.

While many companies have an independent lead or presiding director who performs many of the same functions of an independent chairman (e.g., setting the board meeting agenda), we do not believe this alternate form of independent board leadership provides as robust protection for shareholders as an independent chairman.

8 With a staggered board, if the affiliates or insiders that we believe should not be on the board are not up for election, we will express our concern regarding those directors, but we will not recommend voting against the other affiliates or insiders who are up for election just to achieve two-thirds independence. However, we will consider recommending voting against the directors subject to our concern at their next election if the issue giving rise to the concern is not resolved.

9 We will recommend voting against an audit committee member who owns 20% or more of the company's stock, and we believe that there should be a maximum of one director (or no directors if the committee is comprised of less than three directors) who owns 20% or more of the company's stock on the compensation, nominating, and governance committees.

It can become difficult for a board to fulfill its role of overseer and policy setter when a CEO/chairman controls the agenda and the boardroom discussion. Such control can allow a CEO to have an entrenched position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the business operation, and limitations on independent, shareholder-focused goal-setting by the board.

A CEO should set the strategic course for the company, with the board's approval, and the board should enable the CEO to carry out the CEO's vision for accomplishing the board's objectives. Failure to achieve the board's objectives should lead the board to replace that CEO with someone in whom the board has confidence.

Likewise, an independent chairman can better oversee executives and set a pro-shareholder agenda without the management conflicts that a CEO and other executive insiders often face. Such oversight and concern for shareholders allows for a more proactive and effective board of directors that is better able to look out for the interests of shareholders.

Further, it is the board's responsibility to select a chief executive who can best serve a company and its shareholders and to replace this person when his or her duties have not been appropriately fulfilled. Such a replacement becomes more difficult and happens less frequently when the chief executive is also in the position of overseeing the board.

Glass Lewis believes that the installation of an independent chairman is almost always a positive step from a corporate governance perspective and promotes the best interests of shareholders. Further, the presence of an independent chairman fosters the creation of a thoughtful and dynamic board, not dominated by the views of senior management. Encouragingly, many companies appear to be moving in this direction—one study indicates that only 10 percent of incoming CEOs in 2014 were awarded the chairman title, versus 48 percent in 2002.[10] Another study finds that 47 percent of S&P 500 boards now separate the CEO and chairman roles, up from 37 percent in 2009, although the same study found that only 28 percent of S&P 500 boards have truly independent chairs.[11]

We do not recommend that shareholders vote against CEOs who chair the board. However, we typically recommend that our clients support separating the roles of chairman and CEO whenever that question is posed in a proxy (typically in the form of a shareholder proposal), as we believe that it is in the long-term best interests of the company and its shareholders.

Further, where the company has neither an independent chairman nor independent lead director, we will recommend voting against the chair of the governance committee.

PERFORMANCE

The most crucial test of a board's commitment to the company and its shareholders lies in the actions of the board and its members. We look at the performance of these individuals as directors and executives of the company and of other companies where they have served.

We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overpaying executives or of serving on boards where avoidable disasters have occurred serving on the boards of companies with similar problems. Glass Lewis has a proprietary database of directors serving at over 8,000 of the most widely held U.S. companies. We use this database to track the performance of directors across companies.

VOTING RECOMMENDATIONS ON THE BASIS OF PERFORMANCE

We typically recommend that shareholders vote against directors who have served on boards or as executives of companies with records of poor performance, inadequate risk oversight, excessive compensation, audit- or accounting-related issues, and/or other indicators of mismanagement or actions against the interests of shareholders. We will reevaluate such directors based on, among other factors, the length of time passed since the incident giving rise to the concern, shareholder support for the director, the severity of the issue, the

10 Ken Favaro, Per-Ola Karlsson and Gary L. Nelson. "The $112 Billion CEO Succession Problem." (*Strategy+Business*, Issue 79, Summer 2015).

11 Spencer Stuart Board Index, 2014, p. 23.

director's role (e.g., committee membership), director tenure at the subject company, whether ethical lapses accompanied the oversight lapse, and evidence of strong oversight at other companies.

Likewise, we examine the backgrounds of those who serve on key board committees to ensure that they have the required skills and diverse backgrounds to make informed judgments about the subject matter for which the committee is responsible.

We believe shareholders should avoid electing directors who have a record of not fulfilling their responsibilities to shareholders at any company where they have held a board or executive position. We typically recommend voting against:

1. A director who fails to attend a minimum of 75% of board and applicable committee meetings, calculated in the aggregate.[12]
2. A director who belatedly filed a significant form(s) 4 or 5, or who has a pattern of late filings if the late filing was the director's fault (we look at these late filing situations on a case-by-case basis).
3. A director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements.
4. A director who has received two against recommendations from Glass Lewis for identical reasons within the prior year at different companies (the same situation must also apply at the company being analyzed).
5. All directors who served on the board if, for the last three years, the company's performance has been in the bottom quartile of the sector and the directors have not taken reasonable steps to address the poor performance.

BOARD RESPONSIVENESS

Glass Lewis believes that any time 25% or more of shareholders vote contrary to the recommendation of management, the board should, depending on the issue, demonstrate some level of responsiveness to address the concerns of shareholders. These include instances when 25% or more of shareholders (excluding abstentions and broker non-votes): WITHHOLD votes from (or vote AGAINST) a director nominee, vote AGAINST a management-sponsored proposal, or vote FOR a shareholder proposal. In our view, a 25% threshold is significant enough to warrant a close examination of the underlying issues and an evaluation of whether or not a board response was warranted and, if so, whether the board responded appropriately following the vote. While the 25% threshold alone will not automatically generate a negative vote recommendation from Glass Lewis on a future proposal (e.g., to recommend against a director nominee, against a say-on-pay proposal, etc.), it may be a contributing factor to our recommendation to vote against management's recommendation in the event we determine that the board did not respond appropriately.

As a general framework, our evaluation of board responsiveness involves a review of publicly available disclosures (e.g., the proxy statement, annual report, 8-Ks, company website, etc.) released following the date of the company's last annual meeting up through the publication date of our most current Proxy Paper. Depending on the specific issue, our focus typically includes, but is not limited to, the following:

- At the board level, any changes in directorships, committee memberships, disclosure of related party transactions, meeting attendance, or other responsibilities;
- Any revisions made to the company's articles of incorporation, bylaws or other governance documents;
- Any press or news releases indicating changes in, or the adoption of, new company policies, business practices or special reports; and

12 However, where a director has served for less than one full year, we will typically not recommend voting against for failure to attend 75% of meetings. Rather, we will note the poor attendance with a recommendation to track this issue going forward. We will also refrain from recommending to vote against directors when the proxy discloses that the director missed the meetings due to serious illness or other extenuating circumstances.

- Any modifications made to the design and structure of the company's compensation program, as well as an assessment of the company's engagement with shareholders on compensation issues as discussed in the CD&A, particularly following a material vote against a company's say-on-pay.

Our Proxy Paper analysis will include a case-by-case assessment of the specific elements of board responsiveness that we examined along with an explanation of how that assessment impacts our current voting recommendations.

THE ROLE OF A COMMITTEE CHAIRMAN

Glass Lewis believes that a designated committee chairman maintains primary responsibility for the actions of his or her respective committee. As such, many of our committee-specific voting recommendations are against the applicable committee chair rather than the entire committee (depending on the seriousness of the issue). However, in cases where we would ordinarily recommend voting against a committee chairman but the chair is not specified, we apply the following general rules, which apply throughout our guidelines:

- If there is no committee chair, we recommend voting against the longest-serving committee member or, if the longest-serving committee member cannot be determined, the longest-serving board member serving on the committee (i.e., in either case, the "senior director"); and
- If there is no committee chair, but multiple senior directors serving on the committee, we recommend voting against both (or all) such senior directors.

In our view, companies should provide clear disclosure of which director is charged with overseeing each committee. In cases where that simple framework is ignored and a reasonable analysis cannot determine which committee member is the designated leader, we believe shareholder action against the longest serving committee member(s) is warranted. Again, this only applies if we would ordinarily recommend voting against the committee chair but there is either no such position or no designated director in such role.

On the contrary, in cases where there is a designated committee chair and the recommendation is to vote against the committee chair, but the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will note the concern with regard to the committee chair.

AUDIT COMMITTEES AND PERFORMANCE

Audit committees play an integral role in overseeing the financial reporting process because "[v]ibrant and stable capital markets depend on, among other things, reliable, transparent, and objective financial information to support an efficient and effective capital market process. The vital oversight role audit committees play in the process of producing financial information has never been more important."[13]

When assessing an audit committee's performance, we are aware that an audit committee does not prepare financial statements, is not responsible for making the key judgments and assumptions that affect the financial statements, and does not audit the numbers or the disclosures provided to investors. Rather, an audit committee member monitors and oversees the process and procedures that management and auditors perform. The 1999 Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees stated it best:

> *A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting – the full board including the audit committee, financial management including the internal auditors, and the outside auditors – form a 'three legged stool' that supports responsible financial disclosure and active participatory oversight. However, in the view of the Committee, the audit committee must be 'first among equals' in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process.*

13 Audit Committee Effectiveness – What Works Best." PricewaterhouseCoopers. The Institute of Internal Auditors Research Foundation. 2005.

STANDARDS FOR ASSESSING THE AUDIT COMMITTEE

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said "members of the audit committee must be independent and have both knowledge and experience in auditing financial matters."[14]

We are skeptical of audit committees where there are members that lack expertise as a Certified Public Accountant (CPA), Chief Financial Officer (CFO) or corporate controller, or similar experience. While we will not necessarily recommend voting against members of an audit committee when such expertise is lacking, we are more likely to recommend voting against committee members when a problem such as a restatement occurs and such expertise is lacking.

Glass Lewis generally assesses audit committees against the decisions they make with respect to their oversight and monitoring role. The quality and integrity of the financial statements and earnings reports, the completeness of disclosures necessary for investors to make informed decisions, and the effectiveness of the internal controls should provide reasonable assurance that the financial statements are materially free from errors. The independence of the external auditors and the results of their work all provide useful information by which to assess the audit committee.

When assessing the decisions and actions of the audit committee, we typically defer to its judgment and generally recommend voting in favor of its members. However, we will consider recommending that shareholders vote against the following:[15]

1. All members of the audit committee when options were backdated, there is a lack of adequate controls in place, there was a resulting restatement, and disclosures indicate there was a lack of documentation with respect to the option grants.
2. The audit committee chair, if the audit committee does not have a financial expert or the committee's financial expert does not have a demonstrable financial background sufficient to understand the financial issues unique to public companies.
3. The audit committee chair, if the audit committee did not meet at least four times during the year.
4. The audit committee chair, if the committee has less than three members.
5. Any audit committee member who sits on more than three public company audit committees, unless the audit committee member is a retired CPA, CFO, controller or has similar experience, in which case the limit shall be four committees, taking time and availability into consideration including a review of the audit committee member's attendance at all board and committee meetings.[16]
6. All members of an audit committee who are up for election and who served on the committee at the time of the audit, if audit and audit-related fees total one-third or less of the total fees billed by the auditor.
7. The audit committee chair when tax and/or other fees are greater than audit and audit-related fees paid to the auditor for more than one year in a row (in which case we also recommend against ratification of the auditor).
8. All members of an audit committee where non-audit fees include fees for tax services (including, but not limited to, such things as tax avoidance or shelter schemes) for senior executives of the company. Such services are prohibited by the Public Company Accounting Oversight Board ("PCAOB").

14 Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

15 As discussed under the section labeled "Committee Chairman," where the recommendation is to vote against the committee chair but the chair is not up for election because the board is staggered, we do not recommend voting against the members of the committee who are up for election; rather, we will note the concern with regard to the committee chair.

16 Glass Lewis may exempt certain audit committee members from the above threshold if, upon further analysis of relevant factors such as the director's experience, the size, industry-mix and location of the companies involved and the director's attendance at all the companies, we can reasonably determine that the audit committee member is likely not hindered by multiple audit committee commitments.

9. All members of an audit committee that reappointed an auditor that we no longer consider to be independent for reasons unrelated to fee proportions.
10. All members of an audit committee when audit fees are excessively low, especially when compared with other companies in the same industry.
11. The audit committee chair[17] if the committee failed to put auditor ratification on the ballot for shareholder approval. However, if the non-audit fees or tax fees exceed audit plus audit-related fees in either the current or the prior year, then Glass Lewis will recommend voting against the entire audit committee.
12. All members of an audit committee where the auditor has resigned and reported that a section 10A[18] letter has been issued.
13. All members of an audit committee at a time when material accounting fraud occurred at the company.[19]
14. All members of an audit committee at a time when annual and/or multiple quarterly financial statements had to be restated, and any of the following factors apply:
    - The restatement involves fraud or manipulation by insiders;
    - The restatement is accompanied by an SEC inquiry or investigation;
    - The restatement involves revenue recognition;
    - The restatement results in a greater than 5% adjustment to costs of goods sold, operating expense, or operating cash flows; or
    - The restatement results in a greater than 5% adjustment to net income, 10% adjustment to assets or shareholders equity, or cash flows from financing or investing activities.
15. All members of an audit committee if the company repeatedly fails to file its financial reports in a timely fashion. For example, the company has filed two or more quarterly or annual financial statements late within the last 5 quarters.
16. All members of an audit committee when it has been disclosed that a law enforcement agency has charged the company and/or its employees with a violation of the Foreign Corrupt Practices Act (FCPA).
17. All members of an audit committee when the company has aggressive accounting policies and/or poor disclosure or lack of sufficient transparency in its financial statements.
18. All members of the audit committee when there is a disagreement with the auditor and the auditor resigns or is dismissed (e.g., the company receives an adverse opinion on its financial statements from the auditor).
19. All members of the audit committee if the contract with the auditor specifically limits the auditor's liability to the company for damages.[20]
20. All members of the audit committee who served since the date of the company's last annual meeting, and when, since the last annual meeting, the company has reported a material weakness that has not yet been corrected, or, when the company has an ongoing material weakness from a prior year that has not yet been corrected.

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17 As discussed under the section labeled "Committee Chairman," in all cases, if the chair of the committee is not specified, we recommend voting against the director who has been on the committee the longest.

18 Auditors are required to report all potential illegal acts to management and the audit committee unless they are clearly inconsequential in nature. If the audit committee or the board fails to take appropriate action on an act that has been determined to be a violation of the law, the independent auditor is required to send a section 10A letter to the SEC. Such letters are rare and therefore we believe should be taken seriously.

19 Research indicates that revenue fraud now accounts for over 60% of SEC fraud cases, and that companies that engage in fraud experience significant negative abnormal stock price declines—facing bankruptcy, delisting, and material asset sales at much higher rates than do non-fraud firms (Committee of Sponsoring Organizations of the Treadway Commission. "Fraudulent Financial Reporting: 1998-2007." May 2010).

20 The Council of Institutional Investors. "Corporate Governance Policies," p. 4, April 5, 2006; and "Letter from Council of Institutional Investors to the AICPA," November 8, 2006.

We also take a dim view of audit committee reports that are boilerplate, and which provide little or no information or transparency to investors. When a problem such as a material weakness, restatement or late filings occurs, we take into consideration, in forming our judgment with respect to the audit committee, the transparency of the audit committee report.

COMPENSATION COMMITTEE PERFORMANCE

Compensation committees have a critical role in determining the compensation of executives. This includes deciding the basis on which compensation is determined, as well as the amounts and types of compensation to be paid. This process begins with the hiring and initial establishment of employment agreements, including the terms for such items as pay, pensions and severance arrangements. It is important in establishing compensation arrangements that compensation be consistent with, and based on the long-term economic performance of, the business's long-term shareholders returns.

Compensation committees are also responsible for the oversight of the transparency of compensation. This oversight includes disclosure of compensation arrangements, the matrix used in assessing pay for performance, and the use of compensation consultants. In order to ensure the independence of the board's compensation consultant, we believe the compensation committee should only engage a compensation consultant that is not also providing any services to the company or management apart from their contract with the compensation committee. It is important to investors that they have clear and complete disclosure of all the significant terms of compensation arrangements in order to make informed decisions with respect to the oversight and decisions of the compensation committee.

Finally, compensation committees are responsible for oversight of internal controls over the executive compensation process. This includes controls over gathering information used to determine compensation, establishment of equity award plans, and granting of equity awards. For example, the use of a compensation consultant who maintains a business relationship with company management may cause the committee to make decisions based on information that is compromised by the consultant's conflict of interests. Lax controls can also contribute to improper awards of compensation such as through granting of backdated or spring-loaded options, or granting of bonuses when triggers for bonus payments have not been met.

Central to understanding the actions of a compensation committee is a careful review of the Compensation Discussion and Analysis ("CD&A") report included in each company's proxy. We review the CD&A in our evaluation of the overall compensation practices of a company, as overseen by the compensation committee. The CD&A is also integral to the evaluation of compensation proposals at companies, such as advisory votes on executive compensation, which allow shareholders to vote on the compensation paid to a company's top executives.

When assessing the performance of compensation committees, we will consider recommending that shareholders vote against the following:[21]

1. All members of a compensation committee during whose tenure the committee failed to address shareholder concerns following majority shareholder rejection of the say-on-pay proposal in the previous year. Where the proposal was approved but there was a significant shareholder vote (i.e., greater than 25% of votes cast) against the say-on-pay proposal in the prior year, if the board did not respond sufficiently to the vote including actively engaging shareholders on this issue, we will also consider recommending voting against the chairman of the compensation committee or all members of the compensation committee, depending on the severity and history of the compensation problems and the level of shareholder opposition.
2. All members of the compensation committee who are up for election and served when the company failed to align pay with performance (e.g., a company receives an F grade in our pay-for-performance

21 As discussed under the section labeled "Committee Chairman," where the recommendation is to vote against the committee chair and the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will note the concern with regard to the committee chair.

analysis) if shareholders are not provided with an advisory vote on executive compensation at the annual meeting.[22]

3. Any member of the compensation committee who has served on the compensation committee of at least two other public companies that have consistently failed to align pay with performance and whose oversight of compensation at the company in question is suspect.
4. The compensation committee chair if the company consistently has received deficient grades in our pay-for-performance analysis, and if during the past year the company performed the same as or worse than its peers.[23]
5. All members of the compensation committee (during the relevant time period) if the company entered into excessive employment agreements and/or severance agreements.
6. All members of the compensation committee when performance goals were changed (i.e., lowered) when employees failed or were unlikely to meet original goals, or performance-based compensation was paid despite goals not being attained.
7. All members of the compensation committee if excessive employee perquisites and benefits were allowed.
8. The compensation committee chair if the compensation committee did not meet during the year.
9. All members of the compensation committee when the company repriced options or completed a "self tender offer" without shareholder approval within the past two years.
10. All members of the compensation committee when vesting of in-the-money options is accelerated.
11. All members of the compensation committee when option exercise prices were backdated. Glass Lewis will recommend voting against an executive director who played a role in and participated in option backdating.
12. All members of the compensation committee when option exercise prices were spring-loaded or otherwise timed around the release of material information.
13. All members of the compensation committee when a new employment contract is given to an executive that does not include a clawback provision and the company had a material restatement, especially if the restatement was due to fraud.
14. The chair of the compensation committee where the CD&A provides insufficient or unclear information about performance metrics and goals, where the CD&A indicates that pay is not tied to performance, or where the compensation committee or management has excessive discretion to alter performance terms or increase amounts of awards in contravention of previously defined targets.
15. All members of the compensation committee during whose tenure the committee failed to implement a shareholder proposal regarding a compensation-related issue, where the proposal received the affirmative vote of a majority of the voting shares at a shareholder meeting, and when a reasonable analysis suggests that the compensation committee (rather than the governance committee) should have taken steps to implement the request.[24]

22 Where there are multiple CEOs in one year, we will consider not recommending against the compensation committee but will defer judgment on compensation policies and practices until the next year or a full year after arrival of the new CEO. In addition, if a company provides shareholders with a say-on-pay proposal, we will initially only recommend voting against the company's say-on-pay proposal and will not recommend voting against the members of the compensation committee unless there is a pattern of failing to align pay and performance and/or the company exhibits egregious compensation practices. However, if the company repeatedly fails to align pay and performance, we will then recommend against the members of the compensation committee in addition to recommending voting against the say-on-pay proposal.

23 In cases where a company has received two consecutive D grades, or if its grade improved from an F to a D in the most recent period, and during the most recent year the company performed better than its peers (based on our analysis), we refrain from recommending to vote against the compensation committee chair. In addition, if a company provides shareholders with a say-on-pay proposal in this instance, we will consider voting against the advisory vote rather than the compensation committee chair unless the company exhibits unquestionably egregious practices.

24 In all other instances (i.e., a non-compensation-related shareholder proposal should have been implemented) we recommend that shareholders vote against the members of the governance committee.

NOMINATING AND GOVERNANCE COMMITTEE PERFORMANCE

The nominating and governance committee, as an agent for the shareholders, is responsible for the governance by the board of the company and its executives. In performing this role, the committee is responsible and accountable for selection of objective and competent board members. It is also responsible for providing leadership on governance policies adopted by the company, such as decisions to implement shareholder proposals that have received a majority vote. (At most companies, a single committee is charged with these oversight functions; at others, the governance and nominating responsibilities are apportioned among two separate committees.)

Consistent with Glass Lewis' philosophy that boards should have diverse backgrounds and members with a breadth and depth of relevant experience, we believe that nominating and governance committees should consider diversity when making director nominations within the context of each specific company and its industry. In our view, shareholders are best served when boards make an effort to ensure a constituency that is not only reasonably diverse on the basis of age, race, gender and ethnicity, but also on the basis of geographic knowledge, industry experience, board tenure and culture.

Regarding the committee responsible for governance, we will consider recommending that shareholders vote against the following:[25]

1. All members of the governance committee[26] during whose tenure a shareholder proposal relating to important shareholder rights received support from a majority of the votes cast (excluding abstentions and broker non-votes) and the board has not begun to implement or enact the proposal's subject matter.[27] Examples of such shareholder proposals include those seeking a declassified board structure, a majority vote standard for director elections, or a right to call a special meeting. In determining whether a board has sufficiently implemented such a proposal, we will examine the quality of the right enacted or proffered by the board for any conditions that may unreasonably interfere with the shareholders' ability to exercise the right (e.g., overly restrictive procedural requirements for calling a special meeting).
2. The governance committee chair,[28] when the chairman is not independent and an independent lead or presiding director has not been appointed.[29]
3. In the absence of a nominating committee, the governance committee chair when there are less than five or the whole nominating committee when there are more than 20 members on the board.
4. The governance committee chair, when the committee fails to meet at all during the year.
5. The governance committee chair, when for two consecutive years the company provides what we consider to be "inadequate" related party transaction disclosure (i.e., the nature of such transactions and/or the monetary amounts involved are unclear or excessively vague, thereby preventing a shareholder from being able to reasonably interpret the independence status of multiple directors above and beyond what the company maintains is compliant with SEC or applicable stock exchange listing requirements).

25 As discussed in the guidelines section labeled "Committee Chairman," where we would recommend to vote against the committee chair but the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will note the concern with regard to the committee chair.

26 If the board does not have a committee responsible for governance oversight and the board did not implement a shareholder proposal that received the requisite support, we will recommend voting against the entire board. If the shareholder proposal at issue requested that the board adopt a declassified structure, we will recommend voting against all director nominees up for election.

27 Where a compensation-related shareholder proposal should have been implemented, and when a reasonable analysis suggests that the members of the compensation committee (rather than the governance committee) bear the responsibility for failing to implement the request, we recommend that shareholders only vote against members of the compensation committee.

28 As discussed in the guidelines section labeled "Committee Chairman," if the committee chair is not specified, we recommend voting against the director who has been on the committee the longest. If the longest-serving committee member cannot be determined, we will recommend voting against the longest-serving board member serving on the committee.

29 We believe that one independent individual should be appointed to serve as the lead or presiding director. When such a position is rotated among directors from meeting to meeting, we will recommend voting against the governance committee chair as we believe the lack of fixed lead or presiding director means that, effectively, the board does not have an independent board leader.

6. The governance committee chair, when during the past year the board adopted a forum selection clause (i.e., an exclusive forum provision)[30] without shareholder approval, or, if the board is currently seeking shareholder approval of a forum selection clause pursuant to a bundled bylaw amendment rather than as a separate proposal.
7. All members of the governance committee during whose tenure the board adopted, without shareholder approval, provisions in its charter or bylaws that, through rules on director compensation, may inhibit the ability of shareholders to nominate directors.

In addition, we may recommend that shareholders vote against the chairman of the governance committee, or the entire committee, where the board has amended the company's governing documents to reduce or remove important shareholder rights, or to otherwise impede the ability of shareholders to exercise such right, and has done so without seeking shareholder approval. Examples of board actions that may cause such a recommendation include: the elimination of the ability of shareholders to call a special meeting or to act by written consent; an increase to the ownership threshold required for shareholders to call a special meeting; an increase to vote requirements for charter or bylaw amendments; the adoption of provisions that limit the ability of shareholders to pursue full legal recourse—such as bylaws that require arbitration of shareholder claims or that require shareholder plaintiffs to pay the company's legal expenses in the absence of a court victory (i.e., "fee-shifting" or "loser pays" bylaws); the adoption of a classified board structure; and the elimination of the ability of shareholders to remove a director without cause.

Regarding the nominating committee, we will consider recommending that shareholders vote against the following:[31]

1. All members of the nominating committee, when the committee nominated or renominated an individual who had a significant conflict of interest or whose past actions demonstrated a lack of integrity or inability to represent shareholder interests.
2. The nominating committee chair, if the nominating committee did not meet during the year.
3. In the absence of a governance committee, the nominating committee chair[32] when the chairman is not independent, and an independent lead or presiding director has not been appointed.[33]
4. The nominating committee chair, when there are less than five or the whole nominating committee when there are more than 20 members on the board.[34]
5. The nominating committee chair, when a director received a greater than 50% against vote the prior year and not only was the director not removed, but the issues that raised shareholder concern were not corrected.[35]

In addition, we may consider recommending shareholders vote against the chair of the nominating committee where the board's failure to ensure the board has directors with relevant experience, either through periodic director assessment or board refreshment, has contributed to a company's poor performance.

30 A forum selection clause is a bylaw provision stipulating that a certain state, typically where the company is incorporated, which is most often Delaware, shall be the exclusive forum for all intra-corporate disputes (e.g., shareholder derivative actions, assertions of claims of a breach of fiduciary duty, etc.). Such a clause effectively limits a shareholder's legal remedy regarding appropriate choice of venue and related relief offered under that state's laws and rulings.

31 As discussed in the guidelines section labeled "Committee Chairman," where we would recommend to vote against the committee chair but the chair is not up for election because the board is staggered, we do not recommend voting against any members of the committee who are up for election; rather, we will note the concern with regard to the committee chair.

32 As discussed under the section labeled "Committee Chairman," if the committee chair is not specified, we will recommend voting against the director who has been on the committee the longest. If the longest-serving committee member cannot be determined, we will recommend voting against the longest-serving board member on the committee.

33 In the absence of both a governance and a nominating committee, we will recommend voting against the chairman of the board on this basis, unless if the chairman also serves as the CEO, in which case we will recommend voting against the longest-serving director.

34 In the absence of both a governance and a nominating committee, we will recommend voting against the chairman of the board on this basis, unless if the chairman also serves as the CEO, in which case we will recommend voting against the the longest-serving director.

35 Considering that shareholder discontent clearly relates to the director who received a greater than 50% against vote rather than the nominating chair, we review the severity of the issue(s) that initially raised shareholder concern as well as company responsiveness to such matters, and will only recommend voting against the nominating chair if a reasonable analysis suggests that it would be most appropriate. In rare cases, we will consider recommending against the nominating chair when a director receives a substantial (i.e., 25% or more) vote against based on the same analysis.

BOARD-LEVEL RISK MANAGEMENT OVERSIGHT

Glass Lewis evaluates the risk management function of a public company board on a strictly case-by-case basis. Sound risk management, while necessary at all companies, is particularly important at financial firms which inherently maintain significant exposure to financial risk. We believe such financial firms should have a chief risk officer reporting directly to the board and a dedicated risk committee or a committee of the board charged with risk oversight. Moreover, many non-financial firms maintain strategies which involve a high level of exposure to financial risk. Similarly, since many non-financial firms have complex hedging or trading strategies, those firms should also have a chief risk officer and a risk committee.

Our views on risk oversight are consistent with those expressed by various regulatory bodies. In its December 2009 Final Rule release on Proxy Disclosure Enhancements, the SEC noted that risk oversight is a key competence of the board and that additional disclosures would improve investor and shareholder understanding of the role of the board in the organization's risk management practices. The final rules, which became effective on February 28, 2010, now explicitly require companies and mutual funds to describe (while allowing for some degree of flexibility) the board's role in the oversight of risk.

When analyzing the risk management practices of public companies, we take note of any significant losses or writedowns on financial assets and/or structured transactions. In cases where a company has disclosed a sizable loss or writedown, and where we find that the company's board-level risk committee's poor oversight contributed to the loss, we will recommend that shareholders vote against such committee members on that basis. In addition, in cases where a company maintains a significant level of financial risk exposure but fails to disclose any explicit form of board-level risk oversight (committee or otherwise)[36], we will consider recommending to vote against the chairman of the board on that basis. However, we generally would not recommend voting against a combined chairman/CEO, except in egregious cases.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

Companies face significant financial, legal and reputational risks resulting from poor environmental and social practices, or negligent oversight thereof. Therefore, Glass Lewis views the identification, mitigation and management of environmental and social risks as integral components when evaluating a company's overall risk exposure. We believe boards should ensure that management conducts a complete risk analysis of company operations, including those that have environmental and social implications. Directors should monitor management's performance in managing and mitigating these environmental and social risks in order to eliminate or minimize the risks to the company and its shareholders. In cases where the board or management has failed to sufficiently identify and manage a material environmental or social risk that did or could negatively impact shareholder value, we will recommend shareholders vote against directors responsible for risk oversight in consideration of the nature of the risk and the potential effect on shareholder value.

OTHER CONSIDERATIONS

In addition to the three key characteristics – independence, performance, experience – that we use to evaluate board members, we consider conflict-of-interest issues as well as the size of the board of directors when making voting recommendations.

Conflicts of Interest

We believe board members should be wholly free of identifiable and substantial conflicts of interest, regardless of the overall level of independent directors on the board. Accordingly, we recommend that shareholders vote against the following types of directors:

1. A CFO who is on the board: In our view, the CFO holds a unique position relative to financial reporting and disclosure to shareholders. Due to the critical importance of financial disclosure and reporting, we believe the CFO should report to the board and not be a member of it.

36 A committee responsible for risk management could be a dedicated risk committee, the audit committee, or the finance committee, depending on a given company's board structure and method of disclosure. At some companies, the entire board is charged with risk management.

2. A director who is on an excessive number of boards: We will typically recommend voting against a director who serves as an executive officer of any public company while serving on a total of more than three public company boards (i.e., their own company's board and two others), and any other director who serves on a total of more than six public company boards.[37] Academic literature suggests that one board takes up approximately 248 hours per year of each member's time.[38] We believe this limits the number of boards on which directors can effectively serve, especially executives at other companies. Further, we note a recent study has shown that the average number of outside board seats held by CEOs of S&P 500 companies is 0.6, down from 0.9 in 2004.[39]
3. A director who provides — or a director who has an immediate family member who provides — material consulting or other material professional services to the company. These services may include legal, consulting, or financial services. We question the need for the company to have consulting relationships with its directors. We view such relationships as creating conflicts for directors, since they may be forced to weigh their own interests against shareholder interests when making board decisions. In addition, a company's decisions regarding where to turn for the best professional services may be compromised when doing business with the professional services firm of one of the company's directors.
4. A director, or a director who has an immediate family member, engaging in airplane, real estate, or similar deals, including perquisite-type grants from the company, amounting to more than $50,000. Directors who receive these sorts of payments from the company will have to make unnecessarily complicated decisions that may pit their interests against shareholder interests.
5. Interlocking directorships: CEOs or other top executives who serve on each other's boards create an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else.[40]
6. All board members who served at a time when a poison pill with a term of longer than one year was adopted without shareholder approval within the prior twelve months.[41] In the event a board is classified and shareholders are therefore unable to vote against all directors, we will recommend voting against the remaining directors the next year they are up for a shareholder vote. If a poison pill with a term of one year or less was adopted without shareholder approval, and without adequate justification, we will consider recommending that shareholders vote against all members of the governance committee. If the board has, without seeking shareholder approval, and without adequate justification, extended the term of a poison pill by one year or less in two consecutive years, we will consider recommending that shareholders vote against the entire board.

Size of the Board of Directors

While we do not believe there is a universally applicable optimum board size, we do believe boards should have at least five directors to ensure sufficient diversity in decision-making and to enable the formation of key board committees with independent directors. Conversely, we believe that boards with more than 20 members will typically suffer under the weight of "too many cooks in the kitchen" and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too many voices can make it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

37 For meetings held in 2016, Glass Lewis will note as a concern instances of a director who serves as an executive of a public company while serving on more than two boards and any other director who serves on more than five boards. Beginning in 2017, our voting recommendations will be based on these lowered thresholds. Glass Lewis will not recommend voting against the director at the company where he or she serves as an executive officer, only at the other public companies where he or she serves on the board.

38 NACD Public Company Governance Survey 2015-2016. p. 22.

39 Spencer Stuart Board Index, 2014, p. 22.

40 We do not apply a look-back period for this situation. The interlock policy applies to both public and private companies. We will also evaluate multiple board interlocks among non-insiders (i.e., multiple directors serving on the same boards at other companies), for evidence of a pattern of poor oversight.

41 Refer to Section V. Governance Structure and the Shareholder Franchise for further discussion of our policies regarding anti-takeover measures, including poison pills.

To that end, we typically recommend voting against the chairman of the nominating committee (or the governance committee, in the absence of a nominating committee) at a board with fewer than five directors or more than 20 directors.[42]

CONTROLLED COMPANIES

We believe controlled companies warrant certain exceptions to our independence standards. The board's function is to protect shareholder interests; however, when an individual, entity (or group of shareholders party to a formal agreement) owns more than 50% of the voting shares, the interests of the majority of shareholders are the interests of that entity or individual. Consequently, Glass Lewis does not apply our usual two-thirds board independence rule and therefore we will not recommend voting against boards whose composition reflects the makeup of the shareholder population.

Independence Exceptions

The independence exceptions that we make for controlled companies are as follows:

1. We do not require that controlled companies have boards that are at least two-thirds independent. So long as the insiders and/or affiliates are connected with the controlling entity, we accept the presence of non-independent board members.
2. The compensation committee and nominating and governance committees do not need to consist solely of independent directors.
    - We believe that standing nominating and corporate governance committees at controlled companies are unnecessary. Although having a committee charged with the duties of searching for, selecting, and nominating independent directors can be beneficial, the unique composition of a controlled company's shareholder base makes such committees weak and irrelevant.
    - Likewise, we believe that independent compensation committees at controlled companies are unnecessary. Although independent directors are the best choice for approving and monitoring senior executives' pay, controlled companies serve a unique shareholder population whose voting power ensures the protection of its interests. As such, we believe that having affiliated directors on a controlled company's compensation committee is acceptable. However, given that a controlled company has certain obligations to minority shareholders we feel that an insider should not serve on the compensation committee. Therefore, Glass Lewis will recommend voting against any insider (the CEO or otherwise) serving on the compensation committee.
3. Controlled companies do not need an independent chairman or an independent lead or presiding director. Although an independent director in a position of authority on the board – such as chairman or presiding director – can best carry out the board's duties, controlled companies serve a unique shareholder population whose voting power ensures the protection of its interests.

Size of the Board of Directors

We have no board size requirements for controlled companies.

Audit Committee Independence

Despite a controlled company's status, unlike for the other key committees, we nevertheless believe that audit committees should consist solely of independent directors. Regardless of a company's controlled status, the interests of all shareholders must be protected by ensuring the integrity and accuracy of the company's financial statements. Allowing affiliated directors to oversee the preparation of financial reports could create an insurmountable conflict of interest.

42 The Conference Board, at p. 23 in its May 2003 report "Corporate Governance Best Practices, Id.," quotes one of its roundtable participants as stating, "[w]hen you've got a 20 or 30 person corporate board, it's one way of assuring that nothing is ever going to happen that the CEO doesn't want to happen."

SIGNIFICANT SHAREHOLDERS

Where an individual or entity holds between 20-50% of a company's voting power, we believe it is reasonable to allow proportional representation on the board and committees (excluding the audit committee) based on the individual or entity's percentage of ownership.

EXCEPTIONS FOR RECENT IPOs

We believe companies that have recently completed an initial public offering ("IPO") should be allowed adequate time to fully comply with marketplace listing requirements as well as to meet basic corporate governance standards. We believe a one-year grace period immediately following the date of a company's IPO is sufficient time for most companies to comply with all relevant regulatory requirements and to meet such corporate governance standards. Except in egregious cases, Glass Lewis refrains from issuing voting recommendations on the basis of corporate governance best practices (e.g., board independence, committee membership and structure, meeting attendance, etc.) during the one-year period following an IPO.

However, two specific cases warrant strong shareholder action against the board of a company that completed an IPO within the past year:

1. Adoption of an anti-takeover provision such as a poison pill or classified board: In cases where a board adopts an anti-takeover provision preceding an IPO, we will consider recommending to vote against the members of the board who served when it was adopted if the board: (i) did not also commit to submit the anti-takeover provision to a shareholder vote within 12 months of the IPO; or (ii) did not provide a sound rationale for adopting the anti-takeover provision (such as a sunset for the pill of three years or less). In our view, adopting such an anti-takeover device unfairly penalizes future shareholders who (except for electing to buy or sell the stock) are unable to weigh in on a matter that could potentially negatively impact their ownership interest. This notion is strengthened when a board adopts a classified board with an infinite duration or a poison pill with a five to ten year term immediately prior to having a public shareholder base so as to insulate management for a substantial amount of time while postponing and/or avoiding allowing public shareholders the ability to vote on the anti-takeover provision adoption. Such instances are indicative of boards that may subvert shareholders' best interests following their IPO.
2. Adoption of a fee-shifting bylaw: Adoption of a fee-shifting bylaw: Consistent with our general approach to boards that adopt fee-shifting bylaws without shareholder approval (refer to our discussion of nominating and governance committee performance in Section I of the guidelines), we believe shareholders should hold members of the governance committee responsible. Given the strong impediment on shareholder legal recourse of a fee-shifting bylaw, in cases where a board adopts such a bylaw before the company's IPO, we will recommend voting against the entire governance committee, or, in the absence of such a committee, the chairman of the board, who served during the period of time when the provision was adopted.

In addition, shareholders should also be wary of companies that adopt supermajority voting requirements before their IPO. Absent explicit provisions in the articles or bylaws stipulating that certain policies will be phased out over a certain period of time (e.g., a predetermined declassification of the board, a planned separation of the chairman and CEO, etc.) long-term shareholders could find themselves in the predicament of having to attain a supermajority vote to approve future proposals seeking to eliminate such policies.

DUAL-LISTED COMPANIES

For those companies whose shares trade on exchanges in multiple countries, and which may seek shareholder approval of proposals in accordance with varying exchange- and country-specific rules, we will apply the governance standards most relevant in each situation. We will consider a number of factors in determining which Glass Lewis country-specific policy to apply, including but not limited to: (i) the corporate governance structure and features of the company including whether the board structure is unique to a particular market; (ii) the nature of the proposals; (iii) the location of the company's primary listing, if one can be determined;

(iv) the regulatory/governance regime that the board is reporting against; and (v) the availability and completeness of the company's SEC filings.

MUTUAL FUND BOARDS

Mutual funds, or investment companies, are structured differently from regular public companies (i.e., operating companies). Typically, members of a fund's adviser are on the board and management takes on a different role from that of regular public companies. Thus, we focus on a short list of requirements, although many of our guidelines remain the same.

The following mutual fund policies are similar to the policies for regular public companies:

1. Size of the board of directors: The board should be made up of between five and twenty directors.
2. The CFO on the board: Neither the CFO of the fund nor the CFO of the fund's registered investment adviser should serve on the board.
3. Independence of the audit committee: The audit committee should consist solely of independent directors.
4. Audit committee financial expert: At least one member of the audit committee should be designated as the audit committee financial expert.

The following differences from regular public companies apply at mutual funds:

1. Independence of the board: We believe that three-fourths of an investment company's board should be made up of independent directors. This is consistent with a proposed SEC rule on investment company boards. The Investment Company Act requires 40% of the board to be independent, but in 2001, the SEC amended the Exemptive Rules to require that a majority of a mutual fund board be independent. In 2005, the SEC proposed increasing the independence threshold to 75%. In 2006, a federal appeals court ordered that this rule amendment be put back out for public comment, putting it back into "proposed rule" status. Since mutual fund boards play a vital role in overseeing the relationship between the fund and its investment manager, there is greater need for independent oversight than there is for an operating company board.
2. When the auditor is not up for ratification: We do not recommend voting against the audit committee if the auditor is not up for ratification. Due to the different legal structure of an investment company compared to an operating company, the auditor for the investment company (i.e., mutual fund) does not conduct the same level of financial review for each investment company as for an operating company.
3. Non-independent chairman: The SEC has proposed that the chairman of the fund board be independent. We agree that the roles of a mutual fund's chairman and CEO should be separate. Although we believe this would be best at all companies, we recommend voting against the chairman of an investment company's nominating committee as well as the chairman of the board if the chairman and CEO of a mutual fund are the same person and the fund does not have an independent lead or presiding director. Seven former SEC commissioners support the appointment of an independent chairman and we agree with them that "an independent board chairman would be better able to create conditions favoring the long-term interests of fund shareholders than would a chairman who is an executive of the adviser." (See the comment letter sent to the SEC in support of the proposed rule at http://www.sec.gov/news/studies/indchair.pdf)
4. Multiple funds overseen by the same director: Unlike service on a public company board, mutual fund boards require much less of a time commitment. Mutual fund directors typically serve on dozens of other mutual fund boards, often within the same fund complex. The Investment Company Institute's ("ICI") Overview of Fund Governance Practices, 1994-2012, indicates that the average number of funds served by an independent director in 2012 was 53. Absent evidence that a specific director is hindered from being an effective board member at a fund due to service on other funds' boards, we refrain from maintaining a cap on the number of outside mutual fund boards that we believe a director can serve on.

DECLASSIFIED BOARDS

Glass Lewis favors the repeal of staggered boards and the annual election of directors. We believe staggered boards are less accountable to shareholders than boards that are elected annually. Furthermore, we feel the annual election of directors encourages board members to focus on shareholder interests.

Empirical studies have shown: (i) staggered boards are associated with a reduction in a firm's valuation; and (ii) in the context of hostile takeovers, staggered boards operate as a takeover defense, which entrenches management, discourages potential acquirers, and delivers a lower return to target shareholders.

In our view, there is no evidence to demonstrate that staggered boards improve shareholder returns in a takeover context. Some research has indicated that shareholders are worse off when a staggered board blocks a transaction; further, when a staggered board negotiates a friendly transaction, no statistically significant difference in premium occurs.[43] Additional research found that charter-based staggered boards "reduce the market value of a firm by 4% to 6% of its market capitalization" and that "staggered boards bring about and not merely reflect this reduction in market value."[44] A subsequent study reaffirmed that classified boards reduce shareholder value, finding "that the ongoing process of dismantling staggered boards, encouraged by institutional investors, could well contribute to increasing shareholder wealth."[45]

Shareholders have increasingly come to agree with this view. In 2013, 91% of S&P 500 companies had declassified boards, up from approximately 40% a decade ago.[46] Management proposals to declassify boards are approved with near unanimity and shareholder proposals on the topic also receive strong shareholder support; in 2014, shareholder proposals requesting that companies declassify their boards received average support of 84% (excluding abstentions and broker non-votes), whereas in 1987, only 16.4% of votes cast favored board declassification.[47] Further, a growing number of companies, nearly half of all those targeted by shareholder proposals requesting that all directors stand for election annually, either recommended shareholders support the proposal or made no recommendation, a departure from the more traditional management recommendation to vote against shareholder proposals.

Given our belief that declassified boards promote director accountability, the empirical evidence suggesting staggered boards reduce a company's value and the established shareholder opposition to such a structure, Glass Lewis supports the declassification of boards and the annual election of directors.

MANDATORY DIRECTOR TERM AND AGE LIMITS

Glass Lewis believes that director age and term limits typically are not in shareholders' best interests. Too often age and term limits are used by boards as a crutch to remove board members who have served for an extended period of time. When used in that fashion, they are indicative of a board that has a difficult time making "tough decisions."

Academic literature suggests that there is no evidence of a correlation between either length of tenure or age and director performance. On occasion, term limits can be used as a means to remove a director for boards that are unwilling to police their membership and to enforce turnover. Some shareholders support term limits as a way to force change when boards are unwilling to do so.

While we understand that age limits can be a way to force change where boards are unwilling to make changes on their own, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. Further, age limits unfairly imply that older (or, in rare cases, younger) directors cannot contribute to company oversight.

43 Lucian Bebchuk, John Coates IV, Guhan Subramanian, "The Powerful Antitakeover Force of Staggered Boards: Further Findings and a Reply to Symposium Participants," 55 Stanford Law Review 885-917 (2002).

44 Lucian Bebchuk, Alma Cohen, "The Costs of Entrenched Boards" (2004).

45 Lucian Bebchuk, Alma Cohen and Charles C.Y. Wang, "Staggered Boards and the Wealth of Shareholders: Evidence from a Natural Experiment," SSRN: http://ssrn.com/abstract=1706806 (2010), p. 26.

46 Spencer Stuart Board Index, 2013, p. 4

47 Lucian Bebchuk, John Coates IV and Guhan Subramanian, "The Powerful Antitakeover Force of Staggered Boards: Theory, Evidence, and Policy".

In our view, a director's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. However, we support routine director evaluation, preferably performed independently by an external firm, and periodic board refreshment to foster the sharing of new perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of an independent board evaluation, instead of relying on arbitrary age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

We believe that shareholders are better off monitoring the board's approach to corporate governance and the board's stewardship of company performance rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

PROXY ACCESS

In lieu of running their own contested election, proxy access would not only allow certain shareholders to nominate directors to company boards but the shareholder nominees would be included on the company's ballot, significantly enhancing the ability of shareholders to play a meaningful role in selecting their representatives. Glass Lewis generally supports affording shareholders the right to nominate director candidates to management's proxy as a means to ensure that significant, long-term shareholders have an ability to nominate candidates to the board.

Companies generally seek shareholder approval to amend company bylaws to adopt proxy access in response to shareholder engagement or pressure, usually in the form of a shareholder proposal requesting proxy access, although some companies may adopt some elements of proxy access without prompting. Glass Lewis considers several factors when evaluating whether to support proposals for companies to adopt proxy access including the specified minimum ownership and holding requirement for shareholders to nominate one or more directors, as well as company size, performance and responsiveness to shareholders.

For a discussion of recent regulatory events in this area, along with a detailed overview of the Glass Lewis approach to Shareholder Proposals regarding Proxy Access, refer to Glass Lewis' *Proxy Paper Guidelines for Shareholder Initiatives*, available at www.glasslewis.com.

MAJORITY VOTE FOR THE ELECTION OF DIRECTORS

Majority voting for the election of directors is fast becoming the de facto standard in corporate board elections. In our view, the majority voting proposals are an effort to make the case for shareholder impact on director elections on a company-specific basis.

While this proposal would not give shareholders the opportunity to nominate directors or lead to elections where shareholders have a choice among director candidates, if implemented, the proposal would allow shareholders to have a voice in determining whether the nominees proposed by the board should actually serve as the overseer-representatives of shareholders in the boardroom. We believe this would be a favorable outcome for shareholders.

During the first half of 2014, Glass Lewis tracked approximately 28 shareholder proposals seeking to require a majority vote to elect directors at annual meetings in the U.S. While this is roughly on par with what we have reviewed in each of the past several years, it is a sharp contrast to the 147 proposals tracked during all of 2006. This large drop in the number of proposals being submitted in recent years compared to 2006 is a result of many companies having already adopted some form of majority voting, including approximately 84% of companies in the S&P 500 Index, up from 56% in 2008.[48]

48 Spencer Stuart Board Index, 2013, p. 13

Investors are also increasingly supporting this measure. During the 2014 proxy season, shareholder proposals requesting that companies adopt a majority voting standard for director elections received, on average, 59% shareholder support (excluding abstentions and broker non-votes). Further, nearly half of these resolutions received majority shareholder support and a number of companies either recommended shareholders vote in favor of or did not make a recommendation for how shareholders should vote on these proposals.

THE PLURALITY VOTE STANDARD

Today, most US companies still elect directors by a plurality vote standard. Under that standard, if one shareholder holding only one share votes in favor of a nominee (including that director, if the director is a shareholder), that nominee "wins" the election and assumes a seat on the board. The common concern among companies with a plurality voting standard is the possibility that one or more directors would not receive a majority of votes, resulting in "failed elections."

ADVANTAGES OF A MAJORITY VOTE STANDARD

If a majority vote standard were implemented, a nominee would have to receive the support of a majority of the shares voted in order to be elected. Thus, shareholders could collectively vote to reject a director they believe will not pursue their best interests. Given that so few directors (less than 100 a year) do not receive majority support from shareholders, we think that a majority vote standard is reasonable since it will neither result in many failed director elections nor reduce the willingness of qualified, shareholder-focused directors to serve in the future. Further, most directors who fail to receive a majority shareholder vote in favor of their election do not step down, underscoring the need for true majority voting.

We believe that a majority vote standard will likely lead to more attentive directors. Although shareholders only rarely fail to support directors, the occasional majority vote against a director's election will likely deter the election of directors with a record of ignoring shareholder interests. Glass Lewis will therefore generally support proposals calling for the election of directors by a majority vote, excepting contested director elections.

In response to the high level of support majority voting has garnered, many companies have voluntarily taken steps to implement majority voting or modified approaches to majority voting. These steps range from a modified approach requiring directors that receive a majority of withheld votes to resign (i.e., a resignation policy) to actually requiring a majority vote of outstanding shares to elect directors.

We feel that the modified approach does not go far enough because requiring a director to resign is not the same as requiring a majority vote to elect a director and does not allow shareholders a definitive voice in the election process. Further, under the modified approach, the corporate governance committee could reject a resignation and, even if it accepts the resignation, the corporate governance committee decides on the director's replacement. And since the modified approach is usually adopted as a policy by the board or a board committee, it could be altered by the same board or committee at any time.

CONFLICTING PROPOSALS

On January 16, 2015, the SEC announced that for the 2015 proxy season it would not opine on the application of Rule 14a-8(i)(9) that allows companies to exclude shareholder proposals, including those seeking proxy access, that conflict with a management proposal on the same issue. While the announcement did not render the rule ineffective, a number of companies opted not to exclude a shareholder proposal but rather to allow shareholders a vote on both management and shareholder proposals on the same issue, generally proxy access. The management proposals typically imposed more restrictive terms than the shareholder proposal in order to exercise the particular shareholder right at issue, e.g., a higher proxy access ownership threshold. On October 22, 2015, the SEC issued Staff Legal Bulletin No. 14H ("SLB 14H") clarifying its rule concerning the exclusion of certain shareholder proposals when similar items are also on the ballot. SLB 14H increases the burden on companies to prove to SEC staff that a conflict exists; therefore, some companies may still choose to place management proposals alongside similar shareholder proposals in the coming year.

When Glass Lewis reviews conflicting management and shareholder proposals, we will consider the following:

- The nature of the underlying issue;
- The benefit to shareholders from implementation of the proposal;
- The materiality of the differences between the terms of the shareholder proposal and management proposal;
- The appropriateness of the provisions in the context of a company's shareholder base, corporate structure and other relevant circumstances; and
- A company's overall governance profile and, specifically, its responsiveness to shareholders as evidenced by a company's response to previous shareholder proposals and its adoption of progressive shareholder rights provisions.

II. Transparency and Integrity in Financial Reporting

AUDITOR RATIFICATION

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and to do a thorough analysis of a company's books to ensure that the information provided to shareholders is complete, accurate, fair, and that it is a reasonable representation of a company's financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health. As stated in the October 6, 2008 Final Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury:

> *"The auditor is expected to offer critical and objective judgment on the financial matters under consideration, and actual and perceived absence of conflicts is critical to that expectation. The Committee believes that auditors, investors, public companies, and other market participants must understand the independence requirements and their objectives, and that auditors must adopt a mindset of skepticism when facing situations that may compromise their independence."*

As such, shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company in which the investors hold an interest. Like directors, auditors should be free from conflicts of interest and should avoid situations requiring a choice between the auditor's interests and the public's interests. Almost without exception, shareholders should be able to annually review an auditor's performance and to annually ratify a board's auditor selection. Moreover, in October 2008, the Advisory Committee on the Auditing Profession went even further, and recommended that "to further enhance audit committee oversight and auditor accountability ... disclosure in the company proxy statement regarding shareholder ratification [should] include the name(s) of the senior auditing partner(s) staffed on the engagement."[49]

On August 16, 2011, the PCAOB issued a Concept Release seeking public comment on ways that auditor independence, objectivity and professional skepticism could be enhanced, with a specific emphasis on mandatory audit firm rotation. The PCAOB convened several public roundtable meetings during 2012 to further discuss such matters. Glass Lewis believes auditor rotation can ensure both the independence of the auditor and the integrity of the audit; we will typically recommend supporting proposals to require auditor rotation when the proposal uses a reasonable period of time (usually not less than 5-7 years), particularly at companies with a history of accounting problems.

VOTING RECOMMENDATIONS ON AUDITOR RATIFICATION

We generally support management's choice of auditor except when we believe the auditor's independence or audit integrity has been compromised. Where a board has not allowed shareholders to review and ratify an auditor, we typically recommend voting against the audit committee chairman. When there have been material restatements of annual financial statements or material weaknesses in internal controls, we usually recommend voting against the entire audit committee.

Reasons why we may not recommend ratification of an auditor include:

1. When audit fees plus audit-related fees total less than the tax fees and/or other non-audit fees.
2. Recent material restatements of annual financial statements, including those resulting in the reporting of material weaknesses in internal controls and including late filings by the company where the auditor bears some responsibility for the restatement or late filing.[50]

49 "Final Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury." p. VIII:20, October 6, 2008.

50 An auditor does not audit interim financial statements. Thus, we generally do not believe that an auditor should be opposed due to a restatement of interim financial statements unless the nature of the misstatement is clear from a reading of the incorrect financial statements.

3. When the auditor performs prohibited services such as tax-shelter work, tax services for the CEO or CFO, or contingent-fee work, such as a fee based on a percentage of economic benefit to the company.
4. When audit fees are excessively low, especially when compared with other companies in the same industry.
5. When the company has aggressive accounting policies.
6. When the company has poor disclosure or lack of transparency in its financial statements.
7. Where the auditor limited its liability through its contract with the company or the audit contract requires the corporation to use alternative dispute resolution procedures without adequate justification.
8. We also look for other relationships or concerns with the auditor that might suggest a conflict between the auditor's interests and shareholder interests.

PENSION ACCOUNTING ISSUES

A pension accounting question occasionally raised in proxy proposals is what effect, if any, projected returns on employee pension assets should have on a company's net income. This issue often arises in the executive-compensation context in a discussion of the extent to which pension accounting should be reflected in business performance for purposes of calculating payments to executives.

Glass Lewis believes that pension credits should not be included in measuring income that is used to award performance-based compensation. Because many of the assumptions used in accounting for retirement plans are subject to the company's discretion, management would have an obvious conflict of interest if pay were tied to pension income. In our view, projected income from pensions does not truly reflect a company's performance.

III. The Link Between Compensation and Performance

Glass Lewis carefully reviews the compensation awarded to senior executives, as we believe that this is an important area in which the board's priorities are revealed. Glass Lewis strongly believes executive compensation should be linked directly with the performance of the business the executive is charged with managing. We believe the most effective compensation arrangements provide for an appropriate mix of performance-based short- and long-term incentives in addition to fixed pay elements while promoting a prudent and sustainable level of risk-taking.

Glass Lewis believes that comprehensive, timely and transparent disclosure of executive pay is critical to allowing shareholders to evaluate the extent to which pay is aligned with company performance. When reviewing proxy materials, Glass Lewis examines whether the company discloses the performance metrics used to determine executive compensation. We recognize performance metrics must necessarily vary depending on the company and industry, among other factors, and may include a wide variety of financial measures as well as industry-specific performance indicators. However, we believe companies should disclose why the specific performance metrics were selected and how the actions they are designed to incentivize will lead to better corporate performance.

Moreover, it is rarely in shareholders' interests to disclose competitive data about individual salaries below the senior executive level. Such disclosure could create internal personnel discord that would be counterproductive for the company and its shareholders. While we favor full disclosure for senior executives and we view pay disclosure at the aggregate level (e.g., the number of employees being paid over a certain amount or in certain categories) as potentially useful, we do not believe share-holders need or will benefit from detailed reports about individual management employees other than the most senior executives.

ADVISORY VOTE ON EXECUTIVE COMPENSATION ("SAY-ON-PAY")

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") required companies to hold an advisory vote on executive compensation at the first shareholder meeting that occurs six months after enactment of the bill (January 21, 2011).

This practice of allowing shareholders a non-binding vote on a company's compensation report is standard practice in many non-US countries, and has been a requirement for most companies in the United Kingdom since 2003 and in Australia since 2005. Although say-on-pay proposals are non-binding, a high level of "against" or "abstain" votes indicates substantial shareholder concern about a company's compensation policies and procedures.

Given the complexity of most companies' compensation programs, Glass Lewis applies a highly nuanced approach when analyzing advisory votes on executive compensation. We review each company's compensation on a case-by-case basis, recognizing that each company must be examined in the context of industry, size, maturity, performance, financial condition, its historic pay for performance practices, and any other relevant internal or external factors.

We believe that each company should design and apply specific compensation policies and practices that are appropriate to the circumstances of the company and, in particular, will attract and retain competent executives and other staff, while motivating them to grow the company's long-term shareholder value.

Where we find those specific policies and practices serve to reasonably align compensation with performance, and such practices are adequately disclosed, Glass Lewis will recommend supporting the company's approach. If, however, those specific policies and practices fail to demonstrably link compensation with performance, Glass Lewis will generally recommend voting against the say-on-pay proposal.

Glass Lewis reviews say-on-pay proposals on both a qualitative basis and a quantitative basis, with a focus on several main areas:

- The overall design and structure of the company's executive compensation programs including selection and challenging nature of performance metrics;
- The implementation and effectiveness of the company's executive compensation programs including pay mix and use of performance metrics in determining pay levels;
- The quality and content of the company's disclosure;
- The quantum paid to executives; and
- The link between compensation and performance as indicated by the company's current and past pay-for-performance grades.

We also review any significant changes or modifications, and the rationale for such changes, made to the company's compensation structure or award amounts, including base salaries.

SAY-ON-PAY VOTING RECOMMENDATIONS

In cases where we find deficiencies in a company's compensation program's design, implementation or management, we will recommend that shareholders vote against the say-on-pay proposal. Generally such instances include evidence of a pattern of poor pay-for-performance practices (i.e., deficient or failing pay for performance grades), unclear or questionable disclosure regarding the overall compensation structure (e.g., limited information regarding benchmarking processes, limited rationale for bonus performance metrics and targets, etc.), questionable adjustments to certain aspects of the overall compensation structure (e.g., limited rationale for significant changes to performance targets or metrics, the payout of guaranteed bonuses or sizable retention grants, etc.), and/or other egregious compensation practices.

Although not an exhaustive list, the following issues when weighed together may cause Glass Lewis to recommend voting against a say-on-pay vote:

- Inappropriate peer group and/or benchmarking issues;
- Inadequate or no rationale for changes to peer groups;
- Egregious or excessive bonuses, equity awards or severance payments, including golden handshakes and golden parachutes;
- Problematic contractual payments, such as guaranteed bonuses;
- Targeting overall levels of compensation at higher than median without adequate justification;
- Performance targets not sufficiently challenging, and/or providing for high potential payouts;
- Performance targets lowered without justification;
- Discretionary bonuses paid when short- or long-term incentive plan targets were not met;
- Executive pay high relative to peers not justified by outstanding company performance; and
- The terms of the long-term incentive plans are inappropriate (please see "Long-Term Incentives" on page 29).

In instances where a company has simply failed to provide sufficient disclosure of its policies, we may recommend shareholders vote against this proposal solely on this basis, regardless of the appropriateness of compensation levels.

Where we identify egregious compensation practices, we may also recommend voting against the compensation committee based on the practices or actions of its members during the year. Such practices may include: approving large one-off payments, the inappropriate, unjustified use of discretion, or sustained poor pay for performance practices.

COMPANY RESPONSIVENESS

At companies that received a significant level of shareholder opposition (25% or greater) to their say-on-pay proposal at the previous annual meeting, we believe the board should demonstrate some level of engagement and responsiveness to the shareholder concerns behind the discontent, particularly in response to shareholder engagement. While we recognize that sweeping changes cannot be made to a compensation program without due consideration and that a majority of shareholders voted in favor of the proposal, given that the average approval rate for say-on-pay proposals is about 90% we believe the compensation committee should provide some level of response to a significant vote against, including engaging with large shareholders to identify their concerns. In the absence of any evidence that the board is actively engaging shareholders on these issues and responding accordingly, we may recommend holding compensation committee members accountable for failing to adequately respond to shareholder opposition, giving careful consideration to the level of shareholder protest and the severity and history of compensation problems.

PAY FOR PERFORMANCE

Glass Lewis believes an integral part of a well-structured compensation package is a successful link between pay and performance. Our proprietary pay-for-performance model was developed to better evaluate the link between pay and performance of the top five executives at US companies. Our model benchmarks these executives' pay and company performance against peers selected using Equilar's market-based peer groups and across five performance metrics. By measuring the magnitude of the gap between two weighted-average percentile rankings (executive compensation and performance), we grade companies based on a school letter system: "A", "B", "F", etc. The grades guide our evaluation of compensation committee effectiveness and we generally recommend voting against compensation committee of companies with a pattern of failing our pay-for-performance analysis.

We also use this analysis to inform our voting decisions on say-on-pay proposals. As such, if a company receives a failing grade from our proprietary model, we are more likely to recommend that shareholders vote against the say-on-pay proposal. However, other qualitative factors such as an effective overall incentive structure, the relevance of selected performance metrics, significant forthcoming enhancements or reasonable long-term payout levels may give us cause to recommend in favor of a proposal even when we have identified a disconnect between pay and performance.

SHORT-TERM INCENTIVES

A short-term bonus or incentive ("STI") should be demonstrably tied to performance. Whenever possible, we believe a mix of corporate and individual performance measures is appropriate. We would normally expect performance measures for STIs to be based on company-wide or divisional financial measures as well as non-financial factors such as those related to safety, environmental issues, and customer satisfaction. While we recognize that companies operating in different sectors or markets may seek to utilize a wide range of metrics, we expect such measures to be appropriately tied to a company's business drivers.

Further, the target and potential maximum awards that can be achieved under STI awards should be disclosed. Shareholders should expect stretching performance targets for the maximum award to be achieved. Any increase in the potential target and maximum award should be clearly justified to shareholders.

Glass Lewis recognizes that disclosure of some measures may include commercially confidential information. Therefore, we believe it may be reasonable to exclude such information in some cases as long as the company provides sufficient justification for non-disclosure. However, where a short-term bonus has been paid, companies should disclose the extent to which performance has been achieved against relevant targets, including disclosure of the actual target achieved.

Where management has received significant STIs but short-term performance over the previous year prima facie appears to be poor or negative, we believe the company should provide a clear explanation of why these significant short-term payments were made.

LONG-TERM INCENTIVES

Glass Lewis recognizes the value of equity-based incentive programs, which are often the primary long-term incentive for executives. When used appropriately, they can provide a vehicle for linking an executive's pay to company performance, thereby aligning their interests with those of shareholders. In addition, equity-based compensation can be an effective way to attract, retain and motivate key employees.

There are certain elements that Glass Lewis believes are common to most well-structured long-term incentive ("LTI") plans. These include:

- No re-testing or lowering of performance conditions;
- Performance metrics that cannot be easily manipulated by management;
- Two or more performance metrics;
- At least one relative performance metric that compares the company's performance to a relevant peer group or index;
- Performance periods of at least three years;
- Stretching metrics that incentivize executives to strive for outstanding performance while not encouraging excessive risk-taking; and
- Individual limits expressed as a percentage of base salary.

Performance measures should be carefully selected and should relate to the specific business/industry in which the company operates and, especially, the key value drivers of the company's business.

While cognizant of the inherent complexity of certain performance metrics, Glass Lewis generally believes that measuring a company's performance with multiple metrics serves to provide a more complete picture of the company's performance than a single metric; further, reliance on just one metric may focus too much management attention on a single target and is therefore more susceptible to manipulation. When utilized for relative measurements, external benchmarks such as a sector index or peer group should be disclosed and transparent. The rationale behind the selection of a specific index or peer group should also be disclosed. Internal benchmarks should also be disclosed and transparent, unless a cogent case for confidentiality is made and fully explained. Similarly, actual performance and vesting levels for previous grants earned during the fiscal year should be disclosed.

We also believe shareholders should evaluate the relative success of a company's compensation programs, particularly with regard to existing equity-based incentive plans, in linking pay and performance when evaluating new LTI plans to determine the impact of additional stock awards. We will therefore review the company's pay-for-performance grade (see below for more information) and specifically the proportion of total compensation that is stock-based.

TRANSITIONAL AND ONE-OFF AWARDS

Glass Lewis believes shareholders should generally be wary of awards granted outside of the standard incentive schemes outlined above, as such awards have the potential to undermine the integrity of a company's regular incentive plans, the link between pay and performance or both. We generally believe that if the existing incentive programs fail to provide adequate incentives to executives, companies should redesign their compensation programs rather than make additional grants.

However, we recognize that in certain circumstances, additional incentives may be appropriate. In these cases, companies should provide a thorough description of the awards, including a cogent and convincing explanation of their necessity and why existing awards do not provide sufficient motivation. Further, such awards should be tied to future service and performance whenever possible.

Similarly, we acknowledge that there may be certain costs associated with transitions at the executive level. We believe that sign-on arrangements should be clearly disclosed and accompanied by a meaningful explanation of the payments and the process by which the amounts are reached. Furthermore, the details of and basis for any "make-whole" payments (which are paid as compensation for forfeited awards from a previous employer) should be provided.

While in limited circumstances such deviations may not be inappropriate, we believe shareholders should be provided with a meaningful explanation of any additional benefits agreed upon outside of the regular arrangements. For severance or sign-on arrangements, we may consider the executive's regular target compensation levels or the sums paid to other executives (including the recipient's predecessor, where applicable) in evaluating the appropriateness of such an arrangement.

Additionally, we believe companies making supplemental or one-time awards should also describe if and how the regular compensation arrangements will be affected by these additional grants. In reviewing a company's use of supplemental awards, Glass Lewis will evaluate the terms and size of the grants in the context of the company's overall incentive strategy and granting practices, as well as the current operating environment.

RECOUPMENT PROVISIONS ("CLAWBACKS")

We believe it is prudent for boards to adopt detailed and stringent bonus recoupment policies to prevent executives from retaining performance-based awards that were not truly earned. We believe such "clawback" policies should be triggered in the event of a restatement of financial results or similar revision of performance indicators upon which bonuses were based. Such policies would allow the board to review all performance-related bonuses and awards made to senior executives during the period covered by a restatement and would, to the extent feasible, allow the company to recoup such bonuses in the event that performance goals were not actually achieved. We further believe clawback policies should be subject to only limited discretion to ensure the integrity of such policies.

Section 954 of the Dodd-Frank Act requires the SEC to create a rule requiring listed companies to adopt policies for recouping certain compensation during a three-year look-back period. The rule applies to incentive-based compensation paid to current or former executives if the company is required to prepare an accounting restatement due to erroneous data resulting from material non-compliance with any financial reporting requirements under the securities laws. However, the SEC has yet to finalize the relevant rules.

These recoupment provisions are more stringent than under Section 304 of the Sarbanes-Oxley Act in three respects: (i) the provisions extend to current or former executive officers rather than only to the CEO and CFO; (ii) it has a three-year look-back period (rather than a twelve-month look-back period); and (iii) it allows for recovery of compensation based upon a financial restatement due to erroneous data, and therefore does not require misconduct on the part of the executive or other employees.

HEDGING OF STOCK

Glass Lewis believes that the hedging of shares by executives in the shares of the companies where they are employed severs the alignment of interests of the executive with shareholders. We believe companies should adopt strict policies to prohibit executives from hedging the economic risk associated with their shareownership in the company.

PLEDGING OF STOCK

Glass Lewis believes that shareholders should examine the facts and circumstances of each company rather than apply a one-size-fits-all policy regarding employee stock pledging. Glass Lewis believes that shareholders benefit when employees, particularly senior executives have "skin-in-the-game" and therefore recognizes the benefits of measures designed to encourage employees to both buy shares out of their own pocket and to retain shares they have been granted; blanket policies prohibiting stock pledging may discourage executives and employees from doing either.

However, we also recognize that the pledging of shares can present a risk that, depending on a host of factors, an executive with significant pledged shares and limited other assets may have an incentive to take steps to avoid a forced sale of shares in the face of a rapid stock price decline. Therefore, to avoid substantial losses from a forced sale to meet the terms of the loan, the executive may have an incentive to boost the stock price in the short term in a manner that is unsustainable, thus hurting shareholders in the long-term. We also recognize concerns regarding pledging may not apply to less senior employees, given the latter group's significantly more limited influence over a company's stock price. Therefore, we believe that the issue of pledging shares should be reviewed in that context, as should polices that distinguish between the two groups.

Glass Lewis believes that the benefits of stock ownership by executives and employees may outweigh the risks of stock pledging, depending on many factors. As such, Glass Lewis reviews all relevant factors in evaluating proposed policies, limitations and prohibitions on pledging stock, including:

- The number of shares pledged;
- The percentage executives' pledged shares are of outstanding shares;
- The percentage executives' pledged shares are of each executive's shares and total assets;
- Whether the pledged shares were purchased by the employee or granted by the company;
- Whether there are different policies for purchased and granted shares;
- Whether the granted shares were time-based or performance-based;
- The overall governance profile of the company;
- The volatility of the company's stock (in order to determine the likelihood of a sudden stock price drop);
- The nature and cyclicality, if applicable, of the company's industry;
- The participation and eligibility of executives and employees in pledging;
- The company's current policies regarding pledging and any waiver from these policies for employees and executives; and
- Disclosure of the extent of any pledging, particularly among senior executives.

COMPENSATION CONSULTANT INDEPENDENCE

As mandated by Section 952 of the Dodd-Frank Act, as of January 11, 2013, the SEC approved new listing requirements for both the NYSE and NASDAQ which require compensation committees to consider six factors in assessing compensation advisor independence. These factors include: (1) provision of other services to the company; (2) fees paid by the company as a percentage of the advisor's total annual revenue; (3) policies and procedures of the advisor to mitigate conflicts of interests; (4) any business or personal relationships of the consultant with any member of the compensation committee; (5) any company stock held by the consultant; and (6) any business or personal relationships of the consultant with any executive officer of the company. According to the SEC, "no one factor should be viewed as a determinative factor." Glass Lewis believes this six-factor assessment is an important process for every compensation committee to undertake but believes companies employing a consultant for board compensation, consulting and other corporate services should provide clear disclosure beyond just a reference to examining the six points to allow shareholders to review the specific aspects of the various consultant relationships.

We believe compensation consultants are engaged to provide objective, disinterested, expert advice to the compensation committee. When the consultant or its affiliates receive substantial income from providing other services to the company, we believe the potential for a conflict of interest arises and the independence of the consultant may be jeopardized. Therefore, Glass Lewis will, when relevant, note the potential for a conflict of interest when the fees paid to the advisor or its affiliates for other services exceeds those paid for compensation consulting.

FREQUENCY OF SAY-ON-PAY

The Dodd-Frank Act also requires companies to allow shareholders a non-binding vote on the frequency of say-on-pay votes, i.e. every one, two or three years. Additionally, Dodd-Frank requires companies to hold such votes on the frequency of say-on-pay votes at least once every six years.

We believe companies should submit say-on-pay votes to shareholders every year. We believe that the time and financial burdens to a company with regard to an annual vote are relatively small and incremental and are outweighed by the benefits to shareholders through more frequent accountability. Implementing biannual or triennial votes on executive compensation limits shareholders' ability to hold the board accountable for its compensation practices through means other than voting against the compensation committee. Unless a company provides a compelling rationale or unique circumstances for say-on-pay votes less frequent than annually, we will generally recommend that shareholders support annual votes on compensation.

VOTE ON GOLDEN PARACHUTE ARRANGEMENTS

The Dodd-Frank Act also requires companies to provide shareholders with a separate non-binding vote on approval of golden parachute compensation arrangements in connection with certain change-in-control transactions. However, if the golden parachute arrangements have previously been subject to a say-on-pay vote which shareholders approved, then this required vote is waived.

Glass Lewis believes the narrative and tabular disclosure of golden parachute arrangements benefits all shareholders. Glass Lewis analyzes each golden parachute arrangement on a case-by-case basis, taking into account, among other items: the nature of the change-in-control transaction, the ultimate value of the payments particularly compared to the value of the transaction, any excise tax gross-up obligations, the tenure and position of the executives in question before and after the transaction, any new or amended employment agreements entered into in connection with the transaction, and the type of triggers involved (i.e., single vs. double).

EQUITY-BASED COMPENSATION PLAN PROPOSALS

We believe that equity compensation awards, when not abused, are useful for retaining employees and providing an incentive for them to act in a way that will improve company performance. Glass Lewis recognizes that equity-based compensation plans are critical components of a company's overall compensation program and we analyze such plans accordingly based on both quantitative and qualitative factors.

Our quantitative analysis assesses the plan's cost and the company's pace of granting utilizing a number of different analyses, comparing the program with absolute limits we believe are key to equity value creation and with a carefully chosen peer group. In general, our model seeks to determine whether the proposed plan is either absolutely excessive or is more than one standard deviation away from the average plan for the peer group on a range of criteria, including dilution to shareholders and the projected annual cost relative to the company's financial performance. Each of the analyses (and their constituent parts) is weighted and the plan is scored in accordance with that weight.

We compare the program's expected annual expense with the business's operating metrics to help determine whether the plan is excessive in light of company performance. We also compare the plan's expected annual cost to the enterprise value of the firm rather than to market capitalization because the employees, managers and directors of the firm contribute to the creation of enterprise value but not necessarily market capitalization (the biggest difference is seen where cash represents the vast majority of market capitalization). Finally, we do not rely exclusively on relative comparisons with averages because, in addition to creeping averages serving to inflate compensation, we believe that some absolute limits are warranted.

We then consider qualitative aspects of the plan such as plan administration, the method and terms of exercise, repricing history, express or implied rights to reprice, and the presence of evergreen provisions. We also closely review the choice and use of, and difficulty in meeting, the awards' performance metrics and targets, if any. We believe significant changes to the terms of a plan should be explained for shareholders and clearly indicated. Other factors such as a company's size and operating environment may also be relevant in assessing the severity of concerns or the benefits of certain changes. Finally, we may consider a company's executive compensation practices in certain situations, as applicable.

We evaluate equity plans based on certain overarching principles:

- Companies should seek more shares only when needed;
- Requested share amounts should be small enough that companies seek shareholder approval every three to four years (or more frequently);
- If a plan is relatively expensive, it should not grant options solely to senior executives and board members;
- Annual net share count and voting power dilution should be limited;
- Annual cost of the plan (especially if not shown on the income statement) should be reasonable as a percentage of financial results and should be in line with the peer group;
- The expected annual cost of the plan should be proportional to the business's value;
- The intrinsic value that option grantees received in the past should be reasonable compared with the business's financial results;
- Plans should deliver value on a per-employee basis when compared with programs at peer companies;
- Plans should not permit re-pricing of stock options;
- Plans should not contain excessively liberal administrative or payment terms;
- Plans should not count shares in ways that understate the potential dilution, or cost, to common shareholders. This refers to "inverse" full-value award multipliers;
- Selected performance metrics should be challenging and appropriate, and should be subject to relative performance measurements; and
- Stock grants should be subject to minimum vesting and/or holding periods sufficient to ensure sustainable performance and promote retention.

OPTION EXCHANGES

Glass Lewis views option repricing plans and option exchange programs with great skepticism. Shareholders have substantial risk in owning stock and we believe that the employees, officers, and directors who receive stock options should be similarly situated to align their interests with shareholder interests.

We are concerned that option grantees who believe they will be "rescued" from underwater options will be more inclined to take unjustifiable risks. Moreover, a predictable pattern of repricing or exchanges substantially alters a stock option's value because options that will practically never expire deeply out of the money are worth far more than options that carry a risk of expiration.

In short, repricings and option exchange programs change the bargain between shareholders and employees after the bargain has been struck.

There is one circumstance in which a repricing or option exchange program may be acceptable: if macroeconomic or industry trends, rather than specific company issues, cause a stock's value to decline dramatically and the repricing is necessary to motivate and retain employees. In this circumstance, we think it fair to conclude that option grantees may be suffering from a risk that was not foreseeable when the original "bargain" was struck. In such a circumstance, we will recommend supporting a repricing if the following conditions are true:

- Officers and board members cannot participate in the program;
- The stock decline mirrors the market or industry price decline in terms of timing and approximates the decline in magnitude;
- The exchange is value-neutral or value-creative to shareholders using very conservative assumptions and with a recognition of the adverse selection problems inherent in voluntary programs; and

- Management and the board make a cogent case for needing to motivate and retain existing employees, such as being in a competitive employment market.

OPTION BACKDATING, SPRING-LOADING AND BULLET-DODGING

Glass Lewis views option backdating, and the related practices of spring-loading and bullet-dodging, as egregious actions that warrant holding the appropriate management and board members responsible. These practices are similar to re-pricing options and eliminate much of the downside risk inherent in an option grant that is designed to induce recipients to maximize shareholder return.

Backdating an option is the act of changing an option's grant date from the actual grant date to an earlier date when the market price of the underlying stock was lower, resulting in a lower exercise price for the option. Since 2006, Glass Lewis has identified over 270 companies that have disclosed internal or government investigations into their past stock-option grants.

Spring-loading is granting stock options while in possession of material, positive information that has not been disclosed publicly. Bullet-dodging is delaying the grants of stock options until after the release of material, negative information. This can allow option grants to be made at a lower price either before the release of positive news or following the release of negative news, assuming the stock's price will move up or down in response to the information. This raises a concern similar to that of insider trading, or the trading on material non-public information.

The exercise price for an option is determined on the day of grant, providing the recipient with the same market risk as an investor who bought shares on that date. However, where options were backdated, the executive or the board (or the compensation committee) changed the grant date retroactively. The new date may be at or near the lowest price for the year or period. This would be like allowing an investor to look back and select the lowest price of the year at which to buy shares.

A 2006 study of option grants made between 1996 and 2005 at 8,000 companies found that option backdating can be an indication of poor internal controls. The study found that option backdating was more likely to occur at companies without a majority independent board and with a long-serving CEO; both factors, the study concluded, were associated with greater CEO influence on the company's compensation and governance practices.[51]

Where a company granted backdated options to an executive who is also a director, Glass Lewis will recommend voting against that executive/director, regardless of who decided to make the award. In addition, Glass Lewis will recommend voting against those directors who either approved or allowed the backdating. Glass Lewis feels that executives and directors who either benefited from backdated options or authorized the practice have breached their fiduciary responsibility to shareholders.

Given the severe tax and legal liabilities to the company from backdating, Glass Lewis will consider recommending voting against members of the audit committee who served when options were backdated, a restatement occurs, material weaknesses in internal controls exist and disclosures indicate there was a lack of documentation. These committee members failed in their responsibility to ensure the integrity of the company's financial reports.

When a company has engaged in spring-loading or bullet-dodging, Glass Lewis will consider recommending voting against the compensation committee members where there has been a pattern of granting options at or near historic lows. Glass Lewis will also recommend voting against executives serving on the board who benefited from the spring-loading or bullet-dodging.

DIRECTOR COMPENSATION PLANS

Glass Lewis believes that non-employee directors should receive reasonable and appropriate compensation for the time and effort they spend serving on the board and its committees. However, a balance is required. Fees should be competitive in order to retain and attract qualified individuals, but excessive fees represent a financial cost to the company and potentially compromise the objectivity and independence of non-employee directors. We will consider recommending supporting compensation plans that include option grants or other

51 Lucian Bebchuk, Yaniv Grinstein and Urs Peyer. "LUCKY CEOs." November, 2006.

equity-based awards that help to align the interests of outside directors with those of shareholders. However, equity grants to directors should not be performance-based to ensure directors are not incentivized in the same manner as executives but rather serve as a check on imprudent risk-taking in executive compensation plan design.

Glass Lewis uses a proprietary model and analyst review to evaluate the costs of equity plans compared to the plans of peer companies with similar market capitalizations. We use the results of this model to guide our voting recommendations on stock-based director compensation plans.

EMPLOYEE STOCK PURCHASE PLANS

Glass Lewis believes that employee stock purchase plans ("ESPPs") can provide employees with a sense of ownership in their company and help strengthen the alignment between the interests of employees and shareholders. We use a quantitative model to estimate the cost of the plan by measuring the expected discount, purchase period, expected purchase activity (if previous activity has been disclosed) and whether the plan has a "lookback" feature, and then compare this cost to ESPPs at similar companies. Except for the most extreme cases, Glass Lewis will generally support these plans given the regulatory purchase limit of $25,000 per employee per year, which we believe is reasonable. We also look at the number of shares requested to see if a ESPP will significantly contribute to overall shareholder dilution or if shareholders will not have a chance to approve the program for an excessive period of time. As such, we will generally recommend against ESPPs that contain "evergreen" provisions that automatically increase the number of shares available under the ESPP each year.

EXECUTIVE COMPENSATION TAX DEDUCTIBILITY (IRS 162(m) COMPLIANCE)

Section 162(m) of the Internal Revenue Code allows companies to deduct compensation in excess of $1 million for the CEO and the next three most highly compensated executive officers, excluding the CFO, if the compensation is performance-based and is paid under shareholder-approved plans. Companies therefore submit incentive plans for shareholder approval to take of advantage of the tax deductibility afforded under 162(m) for certain types of compensation.

We believe the best practice for companies is to provide robust disclosure to shareholders so that they can make fully-informed judgments about the reasonableness of the proposed compensation plan. To allow for meaningful shareholder review, we prefer that disclosure should include specific performance metrics, a maximum award pool, and a maximum award amount per employee. We also believe it is important to analyze the estimated grants to see if they are reasonable and in line with the company's peers.

We typically recommend voting against a 162(m) proposal where: (i) a company fails to provide at least a list of performance targets; (ii) a company fails to provide one of either a total maximum or an individual maximum; or (iii) the proposed plan or individual maximum award limit is excessive when compared with the plans of the company's peers.

The company's record of aligning pay with performance (as evaluated using our proprietary pay-for-performance model) also plays a role in our recommendation. Where a company has a record of setting reasonable pay relative to business performance, we generally recommend voting in favor of a plan even if the plan caps seem large relative to peers because we recognize the value in special pay arrangements for continued exceptional performance.

As with all other issues we review, our goal is to provide consistent but contextual advice given the specifics of the company and ongoing performance. Overall, we recognize that it is generally not in shareholders' best interests to vote against such a plan and forgo the potential tax benefit since shareholder rejection of such plans will not curtail the awards; it will only prevent the tax deduction associated with them.

IV. Governance Structure and the Shareholder Franchise

ANTI-TAKEOVER MEASURES

POISON PILLS (SHAREHOLDER RIGHTS PLANS)

Glass Lewis believes that poison pill plans are not generally in shareholders' best interests. They can reduce management accountability by substantially limiting opportunities for corporate takeovers. Rights plans can thus prevent shareholders from receiving a buy-out premium for their stock. Typically we recommend that shareholders vote against these plans to protect their financial interests and ensure that they have an opportunity to consider any offer for their shares, especially those at a premium.

We believe boards should be given wide latitude in directing company activities and in charting the company's course. However, on an issue such as this, where the link between the shareholders' financial interests and their right to consider and accept buyout offers is substantial, we believe that shareholders should be allowed to vote on whether they support such a plan's implementation. This issue is different from other matters that are typically left to board discretion. Its potential impact on and relation to shareholders is direct and substantial. It is also an issue in which management interests may be different from those of shareholders; thus, ensuring that shareholders have a voice is the only way to safeguard their interests.

In certain circumstances, we will support a poison pill that is limited in scope to accomplish a particular objective, such as the closing of an important merger, or a pill that contains what we believe to be a reasonable qualifying offer clause. We will consider supporting a poison pill plan if the qualifying offer clause includes each of the following attributes:

- The form of offer is not required to be an all-cash transaction;
- The offer is not required to remain open for more than 90 business days;
- The offeror is permitted to amend the offer, reduce the offer, or otherwise change the terms;
- There is no fairness opinion requirement; and
- There is a low to no premium requirement.

Where these requirements are met, we typically feel comfortable that shareholders will have the opportunity to voice their opinion on any legitimate offer.

NOL POISON PILLS

Similarly, Glass Lewis may consider supporting a limited poison pill in the event that a company seeks shareholder approval of a rights plan for the express purpose of preserving Net Operating Losses (NOLs). While companies with NOLs can generally carry these losses forward to offset future taxable income, Section 382 of the Internal Revenue Code limits companies' ability to use NOLs in the event of a "change of ownership."[52] In this case, a company may adopt or amend a poison pill ("NOL pill") in order to prevent an inadvertent change of ownership by multiple investors purchasing small chunks of stock at the same time, and thereby preserve the ability to carry the NOLs forward. Often such NOL pills have trigger thresholds much lower than the common 15% or 20% thresholds, with some NOL pill triggers as low as 5%.

Glass Lewis evaluates NOL pills on a strictly case-by-case basis taking into consideration, among other factors, the value of the NOLs to the company, the likelihood of a change of ownership based on the size of the holding and the nature of the larger shareholders, the trigger threshold and whether the term of the plan is limited in

52 Section 382 of the Internal Revenue Code refers to a "change of ownership" of more than 50 percentage points by one or more 5% shareholders within a three-year period. The statute is intended to deter the "trafficking" of net operating losses.

duration (i.e., whether it contains a reasonable "sunset" provision) or is subject to periodic board review and/or shareholder ratification. However, we will recommend that shareholders vote against a proposal to adopt or amend a pill to include NOL protective provisions if the company has adopted a more narrowly tailored means of preventing a change in control to preserve its NOLs. For example, a company may limit share transfers in its charter to prevent a change of ownership from occurring.

Furthermore, we believe that shareholders should be offered the opportunity to vote on any adoption or renewal of a NOL pill regardless of any potential tax benefit that it offers a company. As such, we will consider recommending voting against those members of the board who served at the time when an NOL pill was adopted without shareholder approval within the prior twelve months and where the NOL pill is not subject to shareholder ratification.

FAIR PRICE PROVISIONS

Fair price provisions, which are rare, require that certain minimum price and procedural requirements be observed by any party that acquires more than a specified percentage of a corporation's common stock. The provision is intended to protect minority shareholder value when an acquirer seeks to accomplish a merger or other transaction which would eliminate or change the interests of the minority stockholders. The provision is generally applied against the acquirer unless the takeover is approved by a majority of "continuing directors" and holders of a majority, in some cases a supermajority as high as 80%, of the combined voting power of all stock entitled to vote to alter, amend, or repeal the above provisions.

The effect of a fair price provision is to require approval of any merger or business combination with an "interested stockholder" by 51% of the voting stock of the company, excluding the shares held by the interested stockholder. An interested stockholder is generally considered to be a holder of 10% or more of the company's outstanding stock, but the trigger can vary.

Generally, provisions are put in place for the ostensible purpose of preventing a back-end merger where the interested stockholder would be able to pay a lower price for the remaining shares of the company than he or she paid to gain control. The effect of a fair price provision on shareholders, however, is to limit their ability to gain a premium for their shares through a partial tender offer or open market acquisition which typically raise the share price, often significantly. A fair price provision discourages such transactions because of the potential costs of seeking shareholder approval and because of the restrictions on purchase price for completing a merger or other transaction at a later time.

Glass Lewis believes that fair price provisions, while sometimes protecting shareholders from abuse in a takeover situation, more often act as an impediment to takeovers, potentially limiting gains to shareholders from a variety of transactions that could significantly increase share price. In some cases, even the independent directors of the board cannot make exceptions when such exceptions may be in the best interests of shareholders. Given the existence of state law protections for minority shareholders such as Section 203 of the Delaware Corporations Code, we believe it is in the best interests of shareholders to remove fair price provisions.

REINCORPORATION

In general, Glass Lewis believes that the board is in the best position to determine the appropriate jurisdiction of incorporation for the company. When examining a management proposal to reincorporate to a different state or country, we review the relevant financial benefits, generally related to improved corporate tax treatment, as well as changes in corporate governance provisions, especially those relating to shareholder rights, resulting from the change in domicile. Where the financial benefits are de minimis and there is a decrease in shareholder rights, we will recommend voting against the transaction.

However, costly, shareholder-initiated reincorporations are typically not the best route to achieve the furtherance of shareholder rights. We believe shareholders are generally better served by proposing specific shareholder resolutions addressing pertinent issues which may be implemented at a lower cost, and perhaps even with board approval. However, when shareholders propose a shift into a jurisdiction with enhanced shareholder rights, Glass Lewis examines the significant ways would the company benefit from shifting jurisdictions including the following:

- Is the board sufficiently independent?
- Does the company have anti-takeover protections such as a poison pill or classified board in place?
- Has the board been previously unresponsive to shareholders (such as failing to implement a shareholder proposal that received majority shareholder support)?
- Do shareholders have the right to call special meetings of shareholders?
- Are there other material governance issues of concern at the company?
- Has the company's performance matched or exceeded its peers in the past one and three years?
- How has the company ranked in Glass Lewis' pay-for-performance analysis during the last three years?
- Does the company have an independent chairman?

We note, however, that we will only support shareholder proposals to change a company's place of incorporation in exceptional circumstances.

EXCLUSIVE FORUM AND FEE-SHIFTING BYLAW PROVISIONS

Glass Lewis recognizes that companies may be subject to frivolous and opportunistic lawsuits, particularly in conjunction with a merger or acquisition, that are expensive and distracting. In response, companies have sought ways to prevent or limit the risk of such suits by adopting bylaws regarding where the suits must be brought or shifting the burden of the legal expenses to the plaintiff, if unsuccessful at trial.

Glass Lewis believes that charter or bylaw provisions limiting a shareholder's choice of legal venue are not in the best interests of shareholders. Such clauses may effectively discourage the use of shareholder claims by increasing their associated costs and making them more difficult to pursue. As such, shareholders should be wary about approving any limitation on their legal recourse including limiting themselves to a single jurisdiction (e.g., Delaware) without compelling evidence that it will benefit shareholders.

For this reason, we recommend that shareholders vote against any bylaw or charter amendment seeking to adopt an exclusive forum provision unless the company: (i) provides a compelling argument on why the provision would directly benefit shareholders; (ii) provides evidence of abuse of legal process in other, non-favored jurisdictions; (iii) narrowly tailors such provision to the risks involved; and (iv) maintains a strong record of good corporate governance practices.

Moreover, in the event a board seeks shareholder approval of a forum selection clause pursuant to a bundled bylaw amendment rather than as a separate proposal, we will weigh the importance of the other bundled provisions when determining the vote recommendation on the proposal. We will nonetheless recommend voting against the chairman of the governance committee for bundling disparate proposals into a single proposal (refer to our discussion of nominating and governance committee performance in Section I of the guidelines).

Similarly, some companies have adopted bylaws requiring plaintiffs who sue the company and fail to receive a judgment in their favor pay the legal expenses of the company. These bylaws, also known as "fee-shifting" or "loser pays" bylaws, will likely have a chilling effect on even meritorious shareholder lawsuits as shareholders would face an strong financial disincentive not to sue a company. Glass Lewis therefore strongly opposes the adoption of such fee-shifting bylaws and, if adopted without shareholder approval, will recommend voting against the governance committee. While we note that in June of 2015 the State of Delaware banned the adoption of fee-shifting bylaws, such provisions could still be adopted by companies incorporated in other states.

AUTHORIZED SHARES

Glass Lewis believes that adequate capital stock is important to a company's operation. When analyzing a request for additional shares, we typically review four common reasons why a company might need additional capital stock:

1. Stock Split – We typically consider three metrics when evaluating whether we think a stock split is likely or necessary: The historical stock pre-split price, if any; the current price relative to the company's most common trading price over the past 52 weeks; and some absolute limits on stock price that, in our view, either always make a stock split appropriate if desired by management or would almost never be a reasonable price at which to split a stock.
2. Shareholder Defenses – Additional authorized shares could be used to bolster takeover defenses such as a poison pill. Proxy filings often discuss the usefulness of additional shares in defending against or discouraging a hostile takeover as a reason for a requested increase. Glass Lewis is typically against such defenses and will oppose actions intended to bolster such defenses.
3. Financing for Acquisitions – We look at whether the company has a history of using stock for acquisitions and attempt to determine what levels of stock have typically been required to accomplish such transactions. Likewise, we look to see whether this is discussed as a reason for additional shares in the proxy.
4. Financing for Operations – We review the company's cash position and its ability to secure financing through borrowing or other means. We look at the company's history of capitalization and whether the company has had to use stock in the recent past as a means of raising capital.

Issuing additional shares can dilute existing holders in limited circumstances. Further, the availability of additional shares, where the board has discretion to implement a poison pill, can often serve as a deterrent to interested suitors. Accordingly, where we find that the company has not detailed a plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically recommend against the authorization of additional shares. Similar concerns may also lead us to recommend against a proposal to conduct a reverse stock split if the board does not state that it will reduce the number of authorized common shares in a ratio proportionate to the split.

While we think that having adequate shares to allow management to make quick decisions and effectively operate the business is critical, we prefer that, for significant transactions, management come to shareholders to justify their use of additional shares rather than providing a blank check in the form of a large pool of unallocated shares available for any purpose.

ADVANCE NOTICE REQUIREMENTS

We typically recommend that shareholders vote against proposals that would require advance notice of shareholder proposals or of director nominees.

These proposals typically attempt to require a certain amount of notice before shareholders are allowed to place proposals on the ballot. Notice requirements typically range between three to six months prior to the annual meeting. Advance notice requirements typically make it impossible for a shareholder who misses the deadline to present a shareholder proposal or a director nominee that might be in the best interests of the company and its shareholders.

We believe shareholders should be able to review and vote on all proposals and director nominees. Shareholders can always vote against proposals that appear with little prior notice. Shareholders, as owners of a business, are capable of identifying issues on which they have sufficient information and ignoring issues on which they have insufficient information. Setting arbitrary notice restrictions limits the opportunity for shareholders to raise issues that may come up after the window closes.

VOTING STRUCTURE

CUMULATIVE VOTING

Cumulative voting increases the ability of minority shareholders to elect a director by allowing shareholders to cast as many shares of the stock they own multiplied by the number of directors to be elected. As companies generally have multiple nominees up for election, cumulative voting allows shareholders to cast all of their votes for a single nominee, or a smaller number of nominees than up for election, thereby raising the likelihood of electing one or more of their preferred nominees to the board. It can be important when a board is controlled by insiders or affiliates and where the company's ownership structure includes one or more shareholders who control a majority-voting block of company stock.

Glass Lewis believes that cumulative voting generally acts as a safeguard for shareholders by ensuring that those who hold a significant minority of shares can elect a candidate of their choosing to the board. This allows the creation of boards that are responsive to the interests of all shareholders rather than just a small group of large holders.

We review cumulative voting proposals on a case-by-case basis, factoring in the independence of the board and the status of the company's governance structure. But we typically find these proposals on ballots at companies where independence is lacking and where the appropriate checks and balances favoring shareholders are not in place. In those instances we typically recommend in favor of cumulative voting.

Where a company has adopted a true majority vote standard (i.e., where a director must receive a majority of votes cast to be elected, as opposed to a modified policy indicated by a resignation policy only), Glass Lewis will recommend voting against cumulative voting proposals due to the incompatibility of the two election methods. For companies that have not adopted a true majority voting standard but have adopted some form of majority voting, Glass Lewis will also generally recommend voting against cumulative voting proposals if the company has not adopted antitakeover protections and has been responsive to shareholders.

Where a company has not adopted a majority voting standard and is facing both a shareholder proposal to adopt majority voting and a shareholder proposal to adopt cumulative voting, Glass Lewis will support only the majority voting proposal. When a company has both majority voting and cumulative voting in place, there is a higher likelihood of one or more directors not being elected as a result of not receiving a majority vote. This is because shareholders exercising the right to cumulate their votes could unintentionally cause the failed election of one or more directors for whom shareholders do not cumulate votes.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis believes that supermajority vote requirements impede shareholder action on ballot items critical to shareholder interests. An example is in the takeover context, where supermajority vote requirements can strongly limit the voice of shareholders in making decisions on such crucial matters as selling the business. This in turn degrades share value and can limit the possibility of buyout premiums to shareholders. Moreover, we believe that a supermajority vote requirement can enable a small group of shareholders to overrule the will of the majority shareholders. We believe that a simple majority is appropriate to approve all matters presented to shareholders.

TRANSACTION OF OTHER BUSINESS

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before an annual or special meeting. In our opinion, granting unfettered discretion is unwise.

ANTI-GREENMAIL PROPOSALS

Glass Lewis will support proposals to adopt a provision preventing the payment of greenmail, which would serve to prevent companies from buying back company stock at significant premiums from a certain shareholder. Since a large or majority shareholder could attempt to compel a board into purchasing its shares at a large premium, the anti-greenmail provision would generally require that a majority of shareholders other than the majority shareholder approve the buyback.

MUTUAL FUNDS: INVESTMENT POLICIES AND ADVISORY AGREEMENTS

Glass Lewis believes that decisions about a fund's structure and/or a fund's relationship with its investment advisor or sub-advisors are generally best left to management and the members of the board, absent a showing of egregious or illegal conduct that might threaten shareholder value. As such, we focus our analyses of such proposals on the following main areas:

- The terms of any amended advisory or sub-advisory agreement;
- Any changes in the fee structure paid to the investment advisor; and
- Any material changes to the fund's investment objective or strategy.

We generally support amendments to a fund's investment advisory agreement absent a material change that is not in the best interests of shareholders. A significant increase in the fees paid to an investment advisor would be reason for us to consider recommending voting against a proposed amendment to an investment advisory agreement. However, in certain cases, we are more inclined to support an increase in advisory fees if such increases result from being performance-based rather than asset-based. Furthermore, we generally support sub-advisory agreements between a fund's advisor and sub-advisor, primarily because the fees received by the sub-advisor are paid by the advisor, and not by the fund.

In matters pertaining to a fund's investment objective or strategy, we believe shareholders are best served when a fund's objective or strategy closely resembles the investment discipline shareholders understood and selected when they initially bought into the fund. As such, we generally recommend voting against amendments to a fund's investment objective or strategy when the proposed changes would leave shareholders with stakes in a fund that is noticeably different than when originally purchased, and which could therefore potentially negatively impact some investors' diversification strategies.

REAL ESTATE INVESTMENT TRUSTS

The complex organizational, operational, tax and compliance requirements of Real Estate Investment Trusts ("REITs") provide for a unique shareholder evaluation. In simple terms, a REIT must have a minimum of 100 shareholders (the "100 Shareholder Test") and no more than 50% of the value of its shares can be held by five or fewer individuals (the "5/50 Test"). At least 75% of a REITs' assets must be in real estate, it must derive 75% of its gross income from rents or mortgage interest, and it must pay out 90% of its taxable earnings as dividends. In addition, as a publicly traded security listed on a stock exchange, a REIT must comply with the same general listing requirements as a publicly traded equity.

In order to comply with such requirements, REITs typically include percentage ownership limitations in their organizational documents, usually in the range of 5% to 10% of the REITs outstanding shares. Given the complexities of REITs as an asset class, Glass Lewis applies a highly nuanced approach in our evaluation of REIT proposals, especially regarding changes in authorized share capital, including preferred stock.

PREFERRED STOCK ISSUANCES AT REITS

Glass Lewis is generally against the authorization of preferred shares that allows the board to determine the preferences, limitations and rights of the preferred shares (known as "blank-check preferred stock"). We believe that granting such broad discretion should be of concern to common shareholders, since blank-check preferred stock could be used as an antitakeover device or in some other fashion that adversely affects the voting power or financial interests of common shareholders. However, given the requirement that a REIT must distribute 90%

of its net income annually, it is inhibited from retaining capital to make investments in its business. As such, we recognize that equity financing likely plays a key role in a REIT's growth and creation of shareholder value. Moreover, shareholder concern regarding the use of preferred stock as an anti-takeover mechanism may be allayed by the fact that most REITs maintain ownership limitations in their certificates of incorporation. For these reasons, along with the fact that REITs typically do not engage in private placements of preferred stock (which result in the rights of common shareholders being adversely impacted), we may support requests to authorize shares of blank-check preferred stock at REITs.

BUSINESS DEVELOPMENT COMPANIES

Business Development Companies ("BDCs") were created by the U.S. Congress in 1980; they are regulated under the Investment Company Act of 1940 and are taxed as regulated investment companies ("RICs") under the Internal Revenue Code. BDCs typically operate as publicly traded private equity firms that invest in early stage to mature private companies as well as small public companies. BDCs realize operating income when their investments are sold off, and therefore maintain complex organizational, operational, tax and compliance requirements that are similar to those of REITs—the most evident of which is that BDCs must distribute at least 90% of their taxable earnings as dividends.

AUTHORIZATION TO SELL SHARES AT A PRICE BELOW NET ASSET VALUE

Considering that BDCs are required to distribute nearly all their earnings to shareholders, they sometimes need to offer additional shares of common stock in the public markets to finance operations and acquisitions. However, shareholder approval is required in order for a BDC to sell shares of common stock at a price below Net Asset Value ("NAV"). Glass Lewis evaluates these proposals using a case-by-case approach, but will recommend supporting such requests if the following conditions are met:

- The authorization to allow share issuances below NAV has an expiration date of one year or less from the date that shareholders approve the underlying proposal (i.e. the meeting date);
- The proposed discount below NAV is minimal (ideally no greater than 20%);
- The board specifies that the issuance will have a minimal or modest dilutive effect (ideally no greater than 25% of the company's then-outstanding common stock prior to the issuance); and
- A majority of the company's independent directors who do not have a financial interest in the issuance approve the sale.

In short, we believe BDCs should demonstrate a responsible approach to issuing shares below NAV, by proactively addressing shareholder concerns regarding the potential dilution of the requested share issuance, and explaining if and how the company's past below-NAV share issuances have benefitted the company.

V. Compensation, Environmental, Social and Governance Shareholder Initiatives

Glass Lewis generally believes decisions regarding day-to-day management and policy decisions, including those related to social, environmental or political issues, are best left to management and the board as they in almost all cases have more and better information about company strategy and risk. However, when there is a clear link between the subject of a shareholder proposal and value enhancement or risk mitigation, Glass Lewis will recommend in favor of a reasonable, well-crafted shareholder proposal where the company has failed to or inadequately addressed the issue.

We believe that shareholders should not attempt to micromanage a company, its businesses or its executives through the shareholder initiative process. Rather, we believe shareholders should use their influence to push for governance structures that protect shareholders and promote director accountability. Shareholders should then put in place a board they can trust to make informed decisions that are in the best interests of the business and its owners, and hold directors accountable for management and policy decisions through board elections. However, we recognize that support of appropriately crafted shareholder initiatives may at times serve to promote or protect shareholder value.

To this end, Glass Lewis evaluates shareholder proposals on a case-by-case basis. We generally recommend supporting shareholder proposals calling for the elimination of, as well as to require shareholder approval of, antitakeover devices such as poison pills and classified boards. We generally recommend supporting proposals likely to increase and/or protect shareholder value and also those that promote the furtherance of shareholder rights. In addition, we also generally recommend supporting proposals that promote director accountability and those that seek to improve compensation practices, especially those promoting a closer link between compensation and performance, as well as those that promote more and better disclosure of relevant risk factors where such disclosure is lacking or inadequate.

For a detailed review of our policies concerning compensation, environmental, social and governance shareholder initiatives, please refer to our comprehensive *Proxy Paper Guidelines for Shareholder Initiatives*, available at www.glasslewis.com.

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GLASS LEWIS

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GUIDELINES

2016 PROXY SEASON

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

INTERNATIONAL

GLASS LEWIS

Table of Contents

I. Election of Directors

Boards are put in place to represent shareholders and protect their interests. Glass Lewis seeks boards with a proven record of protecting shareholders and delivering value over the medium- and long-term. In our view, boards working to protect and enhance the best interests of shareholders typically include some independent directors (the percentage will vary by local market practice and regulations), boast a record of positive performance, have directors with diverse backgrounds, and appoint directors with a breadth and depth of experience.

BOARD COMPOSITION

When companies disclose sufficient relevant information, we look at each individual on the board and examine his or her relationships with the company, the company's executives and with other board members. The purpose of this inquiry is to determine whether pre-existing personal, familial or financial relationships are likely to impact the decisions of that board member. Where the company does not disclose the names and backgrounds of director nominees with sufficient time in advance of the shareholder meeting to evaluate their independence and performance, we will recommend voting against the election of the unidentified directors. Further, when a board fails to meet legal requirements or the best practice standard prevalent in the market regarding board gender diversity and has not disclosed any cogent explanation or plan to do so, we will recommend voting against the chairman of the nominating committee.

We support governance structures that will drive positive performance and enhance shareholder value. The most crucial test of a board's commitment to the company and to its shareholders is the performance of the board and its members. The performance of directors in their capacity as board members and as executives of the company, when applicable, and in their roles at other companies where they serve is critical to this evaluation.

We believe a director is independent if he or she has no material financial, familial or other current relationships with the company, its executives or other board members except for service on the board and standard fees paid for that service. Relationships that have existed within the three-five years prior to the inquiry are usually considered to be "current" for purposes of this test.

In our view, a director is affiliated if he or she has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company. This includes directors whose employers have a material financial relationship with the Company. This also includes a director who owns or controls 10-20% or more of the company's voting stock.

We define an inside director as one who simultaneously serves as a director and as an employee of the company. This category may include a chairman of the board who acts as an employee of the company or is paid as an employee of the company.

Although we typically vote for the election of directors, we will recommend voting against directors for the following reasons:

- A director who attends less than 75% of the board and applicable committee meetings.
- A director who is also the CEO of a company where a serious restatement has occurred after the CEO certified the pre-restatement financial statements.

We also feel that the following conflicts of interest may hinder a director's performance and will therefore recommend voting against a:

- CFO who presently sits on the board.
- Director who presently sits on an excessive number of boards.

- Director, or a director whose immediate family member, provides material professional services to the company at any time during the past five years.
- Director, or a director whose immediate family member, engages in airplane, real estate or other similar deals, including perquisite type grants from the company.
- Director with an interlocking directorship.

SLATE ELECTIONS

In some countries, companies elect their board members as a slate, whereby shareholders are unable to vote on the election of each individual director, but rather are limited to voting for or against the board as a whole. If significant issues exist concerning one or more of the nominees or in markets where directors are generally elected individually, we will recommend voting against the entire slate of directors.

BOARD COMMITTEE COMPOSITION

We believe that independent directors should serve on a company's audit, compensation, nominating and governance committees. We will support boards with such a structure and encourage change where this is not the case.

REVIEW OF RISK MANAGEMENT CONTROLS

We believe companies, particularly financial firms, should have a dedicated risk committee, or a committee of the board charged with risk oversight, as well as a chief risk officer who reports directly to that committee, not to the CEO or another executive. In cases where a company has disclosed a sizable loss or writedown, and where a reasonable analysis indicates that the company's board-level risk committee should be held accountable for poor oversight, we would recommend that shareholders vote against such committee members on that basis. In addition, in cases where a company maintains a significant level of financial risk exposure but fails to disclose any explicit form of board-level risk oversight (committee or otherwise), we will consider recommending to vote against the chairman of the board on that basis.

CLASSIFIED BOARDS

Glass Lewis favors the repeal of staggered boards in favor of the annual election of directors. We believe that staggered boards are less accountable to shareholders than annually elected boards. Furthermore, we feel that the annual election of directors encourages board members to focus on protecting the interests of shareholders.

II. Financial Reporting

ACCOUNTS AND REPORTS

Many countries require companies to submit the annual financial statements, director reports and independent auditors' reports to shareholders at a general meeting. Shareholder approval of such a proposal does not discharge the board or management. We will usually recommend voting in favor of these proposals except when there are concerns about the integrity of the statements/reports. However, should the audited financial statements, auditor's report and/or annual report not be published at the writing of our report, we will recommend that shareholders abstain from voting on this proposal.

INCOME ALLOCATION (DISTRIBUTION OF DIVIDEND)

In many countries, companies must submit the allocation of income for shareholder approval. We will generally recommend voting for such a proposal. However, we will give particular scrutiny to cases where the company's dividend payout ratio is exceptionally low or excessively high relative to its peers and the company has not provided a satisfactory explanation.

APPOINTMENT OF AUDITORS AND AUTHORITY TO SET FEES

We believe that role of the auditor is crucial in protecting shareholder value. Like directors, auditors should be free from conflicts of interest and should assiduously avoid situations that require them to make choices between their own interests and the interests of the shareholders.

We generally support management's recommendation regarding the selection of an auditor and support granting the board the authority to fix auditor fees except in cases where we believe the independence of an incumbent auditor or the integrity of the audit has been compromised.

However, we recommend voting against ratification of the auditor and/or authorizing the board to set auditor fees for the following reasons:

- When audit fees added to audit-related fees total less than one-half of total fees.
- When there have been any recent restatements or late filings by the company where the auditor bears some responsibility for the restatement or late filing (e.g., a restatement due to a reporting error).
- When the company has aggressive accounting policies.
- When the company has poor disclosure or lack of transparency in financial statements.
- When there are other relationships or issues of concern with the auditor that might suggest a conflict between the interest of the auditor and the interests of shareholders.
- When the company is changing auditors as a result of a disagreement between the company and the auditor on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

III. Compensation

COMPENSATION REPORT/COMPENSATION POLICY

We closely review companies' remuneration practices and disclosure as outlined in company filings to evaluate management-submitted advisory compensation report and policy vote proposals. In evaluating these proposals, which can be binding or non-binding depending on the country, we examine how well the company has disclosed information pertinent to its compensation programs, the extent to which overall compensation is tied to performance, the performance metrics selected by the company and the levels of remuneration in comparison to company performance and that of its peers.

We will usually recommend voting against approval of the compensation report or policy when the following occur:

- Gross disconnect between pay and performance;
- Performance goals and metrics are inappropriate or insufficiently challenging;
- Lack of disclosure regarding performance metrics and goals as well as the extent to which the performance metrics, targets and goals are implemented to enhance company performance and encourage prudent risk-taking;
- Excessive discretion afforded to or exercised by management or the compensation committee to deviate from defined performance metrics and goals in making awards;
- Ex gratia or other non-contractual payments have been made and the reasons for making the payments have not been fully explained or the explanation is unconvincing;
- Guaranteed bonuses are established;
- There is no clawback policy; or
- Egregious or excessive bonuses, equity awards or severance payments.

LONG TERM INCENTIVE PLANS

Glass Lewis recognizes the value of equity-based incentive programs. When used appropriately, they can provide a vehicle for linking an employee's pay to a company's performance, thereby aligning their interests with those of shareholders. Tying a portion of an employee's compensation to the performance of the Company provides an incentive to maximize share value. In addition, equity-based compensation is an effective way to attract, retain and motivate key employees.

In order to allow for meaningful shareholder review, we believe that incentive programs should generally include: (i) specific and appropriate performance goals; (ii) a maximum award pool; and (iii) a maximum award amount per employee. In addition, the payments made should be reasonable relative to the performance of the business and total compensation to those covered by the plan should be in line with compensation paid by the Company's peers.

PERFORMANCE-BASED EQUITY COMPENSATION

Glass Lewis believes in performance-based equity compensation plans for senior executives. We feel that executives should be compensated with equity when their performance and that of the company warrants such rewards. While we do not believe that equity-based compensation plans for all employees need to be based on overall company performance, we do support such limitations for grants to senior executives (although even some equity-based compensation of senior executives without performance criteria is acceptable, such as in the case of moderate incentive grants made in an initial offer of employment).

Boards often argue that such a proposal would hinder them in attracting talent. We believe that boards can develop a consistent, reliable approach, as boards of many companies have, that would still attract executives who believe in their ability to guide the company to achieve its targets. We generally recommend that shareholders vote in favor of performance-based option requirements.

There should be no retesting of performance conditions for all share- and option- based incentive schemes. We will generally recommend that shareholders vote against performance-based equity compensation plans that allow for re-testing.

DIRECTOR COMPENSATION

Glass Lewis believes that non-employee directors should receive appropriate types and levels of compensation for the time and effort they spend serving on the board and its committees. Director fees should be reasonable in order to retain and attract qualified individuals. In particular, we support compensation plans that include non performance-based equity awards, which help to align the interests of outside directors with those of shareholders.

Glass Lewis compares the costs of these plans to the plans of peer companies with similar market capitalizations in the same country to help inform its judgment on this issue.

RETIREMENT BENEFITS FOR DIRECTORS

We will typically recommend voting against proposals to grant retirement benefits to non-executive directors. Such extended payments can impair the objectivity and independence of these board members. Directors should receive adequate compensation for their board service through initial and annual fees.

LIMITS ON EXECUTIVE COMPENSATION

As a general rule, Glass Lewis believes that shareholders should not be involved in setting executive compensation. Such matters should be left to the board's compensation committee. We view the election of directors, and specifically those who sit on the compensation committee, as the appropriate mechanism for shareholders to express their disapproval or support of board policy on this issue. Further, we believe that companies whose pay-for-performance is in line with their peers should be granted the flexibility to compensate their executives in a manner that drives growth and profit.

However, Glass Lewis favors performance-based compensation as an effective means of motivating executives to act in the best interests of shareholders. Performance-based compensation may be limited if a chief executive's pay is capped at a low level rather than flexibly tied to the performance of the company.

IV. Governance Structure

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We will evaluate proposed amendments to a company's articles of association on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it prevents shareholders from evaluating each amendment on its own merits. In such cases, we will analyze each change individually and will recommend voting for the proposal only when we believe that the amendments on balance are in the best interests of shareholders.

ANTI-TAKEOVER MEASURES

POISON PILLS (SHAREHOLDER RIGHTS PLANS)

Glass Lewis believes that poison pill plans generally are not in the best interests of shareholders. Specifically, they can reduce management accountability by substantially limiting opportunities for corporate takeovers. Rights plans can thus prevent shareholders from receiving a buy-out premium for their stock.

We believe that boards should be given wide latitude in directing the activities of the company and charting the company's course. However, on an issue such as this where the link between the financial interests of shareholders and their right to consider and accept buyout offers is so substantial, we believe that shareholders should be allowed to vote on whether or not they support such a plan's implementation.

In certain limited circumstances, we will support a limited poison pill to accomplish a particular objective, such as the closing of an important merger, or a pill that contains what we believe to be a reasonable 'qualifying offer' clause.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis favors a simple majority voting structure. Supermajority vote requirements act as impediments to shareholder action on ballot items that are critical to our interests. One key example is in the takeover context where supermajority vote requirements can strongly limit shareholders' input in making decisions on such crucial matters as selling the business.

INCREASE IN AUTHORIZED SHARES

Glass Lewis believes that having adequate capital stock available for issuance is important to the operation of a company. We will generally support proposals when a company could reasonably use the requested shares for financing, stock splits and stock dividends. While we think that having adequate shares to allow management to make quick decisions and effectively operate the business is critical, we prefer that, for significant transactions, management come to shareholders to justify their use of additional shares rather than providing a blank check in the form of large pools of unallocated shares available for any purpose.

In general, we will support proposals to increase authorized shares up to 100% of the number of shares currently authorized unless, after the increase the company would be left with less than 30% of its authorized shares outstanding.

ISSUANCE OF SHARES

Issuing additional shares can dilute existing holders in some circumstances. Further, the availability of additional shares, where the board has discretion to implement a poison pill, can often serve as a deterrent to interested suitors. Accordingly, where we find that the company has not disclosed a detailed plan for use of the proposed shares, or where the number of shares requested are excessive, we typically recommend against the issuance. In the case of a private placement, we will also consider whether the company is offering a discount to its share price.

In general, we will support proposals to issue shares (with pre-emption rights) when the requested increase is the lesser of (i) the unissued ordinary share capital; or (ii) a sum equal to one-third of the issued ordinary share capital. This authority should not exceed five years. In some countries, if the proposal contains a figure greater than one-third, the company should explain the nature of the additional amounts.

We will also generally support proposals to suspend pre-emption rights for a maximum of 5-20% of the issued ordinary share capital of the company, depending on the country in which the company is located. This authority should not exceed five years, or less for some countries.

REPURCHASE OF SHARES

We will recommend voting in favor of a proposal to repurchase shares when the plan includes the following provisions: (i) a maximum number of shares which may be purchased (typically not more than 15% of the issued share capital); and (ii) a maximum price which may be paid for each share (as a percentage of the market price).

V. Environmental & Social Risk

We believe companies should actively evaluate risks to long-term shareholder value stemming from exposure to environmental and social risks and should incorporate this information into their overall business risk profile. In addition, we believe companies should consider their exposure to changes in environmental or social regulation with respect to their operations as well as related legal and reputational risks. Companies should disclose to shareholders both the nature and magnitude of such risks as well as steps they have taken or will take to mitigate those risks.

When we identify situations where shareholder value is at risk, we may recommend voting in favor of a reasonable and well-targeted proposal if we believe supporting the proposal will promote disclosure of and/or mitigate significant risk exposure. In limited cases where a company has failed to adequately mitigate risks stemming from environmental or social practices, we will recommend shareholders vote against: (i) ratification of board and/or management acts; (ii) approving a company's accounts and reports and/or; (iii) directors (in egregious cases). Further, we may also recommend shareholders vote against directors for lapses in environmental and social risk management at companies.

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