



SEC PRIVACY RULES AND DISCLOSURE POLICIES

In recent years there has been a greater collection of private financial data than at any time in history, which has been spurred on by larger and more sophisticated computer systems. Sometimes this data is used by the firms collecting it as a marketing tool, or for other purposes that would not necessarily be in the best interest of Clients. As a result, under leadership and direction from the Securities and Exchange Commission (SEC), we have looked at policies for the protection of ongoing Client relationships. As you know, from other financial institutions that you deal with, it is now a requirement that we provide you with our policies relative to disclosing the financial information in our possession.

SPECIFIC POLICIES:

- (1) Due to the sensitivity of the Client information that we use, our policy is that such information has been divulged to us by Clients for use to their benefit in managing their investments, and our objective is total confidentiality of that trust.
- (2) Our Firm (and we have no affiliates) does not disclose any personal, or financial information, about our Clients that is in our possession, unless specifically requested by a Client for their own purposes such as to help arrange for bank financing of mortgages, general purpose loans, etc. These disclosures would be at the request and approval of our Client and not our initiation.
- (3) The same privacy provisions stated in (1) above would also apply to former Clients of our Firm.
- (4) In addition, we do not use nonaffiliated service providers to which we would disclose nonpublic information. We do work with brokers, which our Clients establish accounts for security transaction and custody purposes, and they operate under similar privacy policies. Since many of our accounts are domiciled at Schwab, we have visited with them mutually at their offices and ours to coordinate these efforts. We have found Schwab's security policies to be extremely effective in protecting the sensitive Client data that is required by law for them to open and maintain custody and brokerage trading accounts. Internally, we use password protected computer applications to protect data stored for our investment management purposes.
- (5) Our Firm is under the regulatory supervision of the Securities and Exchange Commission, which does periodic audits of our investment counsel activities. As such, the SEC has lawful access to our records of client data. However, they use such information, typically on our premises, and we have found from past reviews that they treat it with strict professional confidence.
- (6) In our 25 years of investment management our record has been unquestioned in maintaining Client confidentiality, and our policy is to continue to build that trust in the future.