Park Piedmont Advisors LLC

Registered Investment Advisor

INVESTMENT POLICY STATEMENT

Client: ____

Date: ____

This Investment Policy Statement ("IPS") provides guidelines and a general framework that will be utilized by PARK PIEDMONT ADVISORS ("PPA") and its representatives to effectively allocate, monitor, and evaluate the investment assets in your portfolio. The IPS works in conjunction with PPA's Investment Advisory Agreement, which sets out the terms and conditions for managing the following account(s):

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INVESTMENT PROCESS

To get the most out of our work together, PPA has developed a process designed to: 1) obtain information about your current situation, needs, and goals; 2) analyze different ways to allocate your investment assets to achieve those goals; 3) recommend investments to implement the agreed-upon asset allocation; and 4) monitor your investments over time to ensure they remain appropriate for what you want to accomplish.

This process begins with one or more meetings that allow us to get to know you and your financial situation, including your short- and long-term needs and goals. This information-gathering typically involves our review of brokerage statements, tax returns, insurance policies, and other relevant information. We use this information to determine how much capital you have accumulated, or are likely to accumulate if you are working, and make customized projections as to how many years this capital will last once you begin to take withdrawals. These projections consider various asset allocations to estimate future accumulation. The next step in the process is to agree on an allocation that gives you a reasonable likelihood of accomplishing your goals without exposing you to more investment risk than necessary. We then recommend specific investments, predominantly indexed stock and bond mutual funds and exchange-traded funds ("ETFs"), for your account(s). We also take into consideration the tax characteristics of the different types of accounts, including taxable and retirement accounts. This implementation phase also involves establishing such accounts, which will be held by one of our Custodians, Schwab Institutional or National Financial Services, a subsidiary of Fidelity Investments (see page 6 for further description of Custodians). Going forward, we report on your accounts each quarter, and monitor your asset allocation over time to make sure it continues to address your needs and goals.

Since our advice is based on your specific circumstances, it is important that you notify us immediately of any material changes in your financial or family situations that could affect the factors we used to determine your asset allocation. Such changes may include marriage, having children, buying and/or selling a house, a significant change in your taxable income, retirement, and health problems. We also suggest at least annual reviews of your portfolio and situation; more frequent reviews are welcome and encouraged.

You will receive early on, and may request at any time, the most recent copy of PPA's Form ADV Part II. This SEC-mandated disclosure document describes our investment process, education and business experience, ownership structure, and other professional staff members. Part of this disclosure includes our acceptance of a **fiduciary responsibility, as your investment advisor, to put your interests first in all the work we do on your behalf.**

INVESTMENT PRINCIPLES WE USE TO MANAGE YOUR ACCOUNTS

1) Your asset allocation (i.e., the division of your investments among the three main asset classes, specifically cash, bonds, and stocks) is the major determinant of your investment results.
2) You should seek the allocation that meets your specific objectives with the lowest level of risk, and ignore advice that develops allocations based on predictions of near-term future market results.
3) Certain investments inherently carry greater or lesser risk; understanding the characteristics of these investments allows you to make allocation decisions that have a reasonable chance of achieving your goals.
4) Low cost, tax efficient, indexed, or "passive", investments are the best way to implement your asset allocation, as compared to higher-cost "actively-managed" investments, for the following reasons:
   a) Since the future is unknown, no one can accurately predict the future and no forecast about future market performance is worth following or paying for.
   b) Paying high fees to active managers who attempt to outperform the markets, or try to time the market by buying at certain times and selling at other times, is not worth doing.
   c) Relying on the past performance, or a track record, of investment results, amounts to buying yesterday's news, and is not a useful methodology.
5) Asset allocations are not permanent. They should be revised based on your changing circumstances, and/or when market prices move allocations too far from the desired levels (called rebalancing; see page 5 for further details).

These principles are supported by highly respected authors in the investment field. We refer you to the following: "A Random Walk Down Wall Street," Burton Malkiel; "Unconventional Success," David Swensen; "The Little Book of Common Sense Investing," John Bogle; and "Fooled by Randomness" and "The Black Swan", Nassim Nicholas Taleb.

ASSET ALLOCATION

PPA works with you to establish a written asset allocation strategy, which will specify a long-term asset allocation among cash, bonds, and stocks. Your asset allocation is designed to provide the opportunity to earn an investment return consistent with your current and future needs to use your money, and at an acceptable level of risk. Risk is defined as the likelihood of your portfolio declining in value in a time frame relevant to you, i.e. when you need to use the funds. When discussing how to deal with risk, we emphasize that historic rates of return for different asset classes will not necessarily be repeated in the future, either for expected returns or the risk associated with seeking those returns (see the further discussion of risk on page 4).

PPA uses predominantly low cost, tax efficient, indexed investments to implement your asset allocation. These investments include, but are not limited to, mutual funds, ETFs, and other low cost funds that may not have specific indexes to benchmark their results against (e.g., Vanguard municipal bond funds).

Investment returns typically include both an income component and a price change component, the latter of which can be a positive or a negative figure. Income, which is the primary source of return for cash and bond investments, tends to be a more steady and consistent source of investment return. Price changes, which are the major source of return for stocks, can vary widely over short and even lengthy time frames. While historical returns indicate certain averages that appear favorable to stocks over extended time periods, there has been, and likely will continue to be, considerable variability in the number of years that make up the extended time frame. In general, relying on long-term historic average returns may not work for you in the time frame relevant to the use of your money.

The investments PPA uses to implement your asset allocation are both liquid and readily marketable. Furthermore, adequate short-term funds will be maintained to meet anticipated withdrawals. If requested by our clients, we will hold or purchase specific securities for your accounts.

Recognizing the underlying uncertainty inherent in all investment programs, and that your allocation will reflect your specific goals and risk tolerance (discussed below), we present the following illustrative asset allocations as a basis to discuss your particular situation.

Income-Oriented Portfolio: The primary objective is to provide current income. The asset allocation is designed for investors who: 1) are currently withdrawing money from their portfolio in amounts of 5% or more of the existing capital; and/or 2) have inflation-adjusted anticipated withdrawal needs that may be met by pre-tax returns of 4-5% of their existing capital (inflation directly impacts the withdrawal need, not the investment return); and/or 3) do not have other sources of funds (e.g., earned income or other capital assets) from which to make up significant declines in the value of their capital. The initial asset allocation range for this portfolio is 65% to 90% fixed-income securities/cash, and 10% to 35% domestic/international equity securities.

Balanced Portfolio: The primary objective is to provide a balance between current income and the opportunity to earn higher returns from investments with historic rates of return greater than fixed income. Anticipated annual withdrawal levels are below 3% of the value of the portfolio. The initial asset allocation range for this portfolio is 35% to 65% fixed income securities/cash and 35% to 65% domestic/international equity securities.

Growth-Oriented Portfolio: The primary objective is to provide the opportunity for growth in the value of the portfolio in excess of returns that can be generated from fixed income. No current regular withdrawals are anticipated and/or the capital accumulation to date is projected to be insufficient to provide appropriate amounts for future withdrawals. In the latter case, growth above that offered from fixed income securities is deemed necessary to meet your future objectives. The initial asset allocation range for this portfolio is 10% to 35% fixed income securities/cash and 65% to 90% domestic/international equity securities.

Note: When withdrawals exceed 4-5% of the value of your accounts, you are likely to experience a reduction in your portfolio's capital. In that case, future withdrawals will likely include portions of capital in addition to the income being generated from your investments. As capital is withdrawn, the remaining capital available to generate an investment return, whether from income or price appreciation, is reduced.

INVESTMENT CHOICES

Within the primary asset classes of cash/fixed income securities on the one hand, and domestic/ international equity securities on the other hand, are a number of categories of investments that PPA may use to implement your asset allocation.

Cash/fixed income includes: Money market funds, taxable and tax-exempt, designed to hold a constant value; short-term and intermediate-term bonds and bond mutual funds and/or ETFs (hereinafter "funds"), both taxable and tax-exempt, including government and corporate issuers; preferred stocks and preferred stock funds; certificates of deposit (CDs); mortgage-backed securities and funds; high-yield bonds and funds; and international bonds and funds.

Equity investments include: Large-, medium-, and small-cap stocks; growth and value styles; and domestic and international companies. While these broad-based categories typically represent a substantial portion of client equity portfolios, PPA also uses emerging market international funds and REIT (real estate investment trust) funds. (These two categories are recommended by David Swensen, in his book "Unconventional Success." Swensen is the lead manager for Yale University's highly successful endowment). Further, we may select other "sector" funds that include stocks not well represented in the broad market indexes; current examples include biotechnology and alternative energy funds.

There are also investments that have characteristics of both income-oriented and equity securities that PPA uses in client portfolios. Examples include a commodity fund and a non-US currency fund.

This listing is not meant to be all-inclusive. If deemed appropriate by PPA, other securities not mentioned herein may be included in client portfolios.

RISK

All investments involve risk. Cash investments, for example, generally do not run the risk of price declines, but are subject to delivering returns that trail inflation (inflation refers to the rate at which the purchasing power of your money declines over time). Fixed income securities/bonds have risk related to changing prices of the underlying securities, based primarily on the length of time until the bonds mature and changing market interest rates (although this risk of price fluctuation is typically significantly less than that of equity securities). Bonds are also subject to risk that the issuer of the bonds defaults (known as "credit" risk). Equity/stock investments involve the risk of significant price fluctuations, based on factors too numerous to discuss here. Historically, equities have delivered higher long-term average returns than either bonds or cash, but have done so with significantly more price variation (also referred to as volatility). Since historical returns are in no way assured for the future, the volatility associated with stock prices must be considered carefully in developing an appropriate asset allocation for you.

Similarly, all investment programs have risk. The most basic risk is that the anticipated investment returns do not occur. Historical rates of return may not be repeated in a time frame relevant to you and your objectives. Investments that provide the opportunity for long-term capital growth in excess of returns from fixed income may experience a high degree of price volatility, both up and down, over substantial periods of time. While diversification among and within asset classes can help moderate risk, risk cannot be eliminated. We use indexed investments in all categories, where available, in order to provide such diversification. And while indexed investments typically provide a low cost, tax efficient methodology for implementing client allocations, they also do not, and cannot, eliminate risk. Finally, long term “average” investment results are likely to have little or no connection to actual results in “extreme” economic environments, such as double digit inflation and interest rates, severe recession/deflation/ depression, or some other set of conditions not yet experienced. (See “The Black Swan,” by Nassim Nicholas Taleb, for extensive discussion of the impact of previously unseen, and even unimagined, events.)

REBALANCING

PPA recommends rebalancing your portfolio when market conditions cause your actual asset mix to change materially from the target percentages established in your asset allocation strategy. Rebalancing involves selling the asset class that has had favorable performance in order to bring it back into the recommended allocation range, and/or buying the asset class with the less favorable performance. This is exactly the opposite of what many investors do, which is to buy more of the better performing asset class in the hope that it will continue to outperform. Rebalancing is intended to maintain the long-term risk/return balance established in the initial allocation. We review your account(s) on a regular (no less than quarterly) basis, and when market price fluctuations cause an asset class to deviate from the target allocation by between 5% and 10%, we consider rebalancing. We take transaction costs and/or tax consequences into account when considering rebalancing, and avoid rebalancing during times of extreme market volatility (measured by historical standards, for want of any better measurement).

TAX CONSIDERATIONS

The tax-deferred status of qualified retirement plans and IRA accounts eliminates the need for tax-related constraints on whatever portion of your investment portfolio is invested in such plans or accounts. However, since the entire value of these tax deferred accounts is taxed as ordinary income over the time period withdrawals are taken, PPA provides important advice with regard to which assets are best owned in these accounts, as compared to accounts subject to current taxation. Withdrawals from the latter, by contrast, are subject to lower capital gains tax rates not on the entire value of the investment(s), but on the difference between the initial cost (or “basis”) and the sale price.

IRA Rollover accounts are, and other tax deferred accounts may be, subject to required minimum distribution rules ("RMD") (unless converted to a Roth IRA, another type of retirement account subject to different tax treatment). These call for retirement plans to begin distributions at age 70 _, in accordance with life expectancy tables that are highly favorable to taxpayers. (RMDs start at less than 4% of the account value, reach approximately 6% at age 80, and do not end until age 114). These distributions are subject to ordinary income tax (at a current Federal maximum rate of 35%, plus any relevant State taxes) without the benefit of capital gains tax rates (the current Federal maximum is 15%). This 20% difference is the reason why advice about which certain assets should be owned in which accounts is a vital part of the work PPA does on your behalf.

One other important point should be understood regarding RMDs. While the distribution generates an ordinary income tax consequence, it is not necessarily being made from income, nor should it be considered income. Rather, it is a distribution of a portion of the retirement account's capital value. That capital value is invested to generate an investment return, consisting of both income and capital appreciation, as part of your overall asset allocation.

Your taxable account(s), which are subject to ordinary income tax on current-year income and capital gains taxes on long-term gains, are managed so as to consider the impact of taxation. After-tax returns for these accounts are more important than before-tax returns. However, while tax considerations merit serious consideration, our investment decisions are based primarily on how the investment fits the overall asset allocation.

To help minimize tax burdens, PPA will: 1) consider municipal bonds rather than taxable bonds for accounts subject to current taxation; 2) utilize tax efficient (and low cost) indexed investments for most of the investments in your portfolio; 3) recommend, particularly for older clients, holding rather than selling certain highly appreciated securities in taxable accounts. If held until death, these securities can be inherited by heirs without incurring capital gains tax (under current tax law). All decisions related to reducing taxes, including which assets are best held in retirement accounts compared to currently taxable accounts, are made consistent with your overall asset allocation.

ADMINISTRATIVE CONSIDERATIONS

Custodians: Custodians establish accounts, hold all securities, effect all transactions, and issue monthly statements of portfolio positions and values. (PPA does none of these tasks directly.) We offer a choice of custodians, either Schwab Institutional or National Financial Services ("NFS", a subsidiary of Fidelity Investments.) For accounts custodied at NFS, PPA also works with a Broker/Dealer, LaSalle Street Securities, based in Chicago, IL.

Fees: Fees and costs associated with PPA's services and the investments used to implement your asset allocation are set forth in our Investment Advisory Agreement ("IAA"), the contract we have with you to provide investment advisory services, and our ADV, the disclosure document filed with the SEC. Quarterly fees are based on the value of assets in your portfolio pursuant to the Custodian's statements, and are typically paid directly out of your accounts.

Performance Reporting: PPA provides investment performance reporting as part of the fee statement we prepare for you each quarter. This reporting includes: 1) the current value of all the securities in your portfolio, based on the Custodian's statements; 2) year-to-date performance results, taking into account all capital additions to and withdrawals from your accounts, based on your specific allocation; 3) a comparison of your results with broad market benchmark indexes using the same asset allocation; and 4) multi-year performance results compared to applicable indexes.

We thank you for your ongoing confidence in our work on your behalf. Please indicate your acceptance of this completed Investment Policy Statement (IPS) by signing below.

Signature – Client: _____________________________ Date_________
Printed Name:
Title:

Signature – Representative: ______________________ Date__________
Printed Name:
Title: