Polar Investment Counsel Inc
Customer Information Brochure

Home Office:
19547 210th Ave NE
Thief River Falls MN 56701
218.681.7344 * 218.681.1329 {fax}
www.polarinvest1.com

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About Us
Polar Investment Counsel, Inc., ("PICI"), a Member Firm of FINRA, NFA, MSRB, and SIPC, performs as an introducing broker-dealer firm for independent registered representatives. This service is performed under contracts between PICI and the independent registered representative.

Hilltop Securities, Inc. ("HTS"), a Member Firm of FINRA, NYSE and SIPC, performs as agent, certain execution, clearing and custodial functions for PICI. HTS provides each PICI client with a HTS Customer Information Brochure upon account set-up. This document explains, in detail, the responsibility and duties of HTS as a clearing and custodial agent for PICI. SHOULD YOU HAVE ANY QUESTIONS CONCERNING ANY ASPECT OF THE AGREEMENTS OUTLINED IN THE HTS CUSTOMER INFORMATION BROCHURE OR THE PICI CUSTOMER INFORMATION BROCHURE, YOUR ACCOUNT OR SECURITIES IN GENERAL, CONTACT YOUR BROKER IMMEDIATELY.

Annuities
Annuities are not suitable for all investors. The Firm has made extensive material concerning annuities available on our website, www.polarinvest1.com in the "Investor Education" section. Additionally, each investor who either purchases or exchanges an annuity is required to read and execute the Firm's "Annuity Disclosure and Exchange" form and is given the opportunity to speak to a Home Office Senior Principal prior to any purchase or exchange of an annuity.

Business Continuity Planning
Polar Investment Counsel, Inc. (PICI) has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

Contacting Us – If after a significant business disruption you cannot contact us as you usually do at 218-681-7344, you should call our alternative emergency number 414-727-5604 or go to our web site at www.polarinvest1.com. If you cannot access us through either of those means, you should contact our clearing firm, Hilltop Securities, Inc., at 214-859-1800 or their website at www.hilltopsecurities.com for instructions on how it may provide prompt access to funds and securities, enter orders and process other trade-related, cash, and security transfer transactions for our customers.

Our Business Continuity Plan – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.
Our clearing firm, Hilltop Securities, Inc. backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments within 4 to 24 hours. Your orders and requests for funds and securities could be delayed during this period.

Varying Disruptions – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 1 hour. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within 24 hours. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our web site www.polarinvest1.com or our alternate emergency number 414-727-5604, how to contact us. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer's prompt access to their funds and securities.

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For more information – If you have questions about our business continuity planning, you can contact us at 218-681-7344 or email sabbott@polarinvest1.com.

Commodities – Additional Risk Disclosure

For any customer * who:

a) Is retired, or
b) Is under 23 years old, or
c) Has an annual income of $25,000 or less, or
d) Has checked the lowest level of net worth on the customer account forms, or
e) Has no prior commodity futures or commodity options trading experience.

YOUR REPRESENTATIVE MUST EXPLAIN PARAGRAPHS 1 AND 2 BELOW. THE COMMODITIES ADDITIONAL RISK DISCLOSURE FORM MUST BE COMPLETED AND SUBMITTED TO THE COMPLIANCE DIRECTOR FOR APPROVAL PRIOR TO ESTABLISHING THE ACCOUNT.

1) You should be aware that the risk of loss in trading commodity futures contracts can be substantial. You may sustain a total loss of your initial margin funds and any additional funds that you deposit to establish or maintain a position in the commodities futures market. In addition, market conditions may be such that your account can incur a negative balance. In this event you will be liable for any deficit in your account. You should also be aware that the exercise of an option contract will result in a future position.
2) You should study futures trading and consider all of your financial obligations in determining whether the trading of commodity futures or options on said futures is appropriate for you. Since the risk factor is high in futures trading, only genuine “risk funds” should be used.

Correcting or Updating Your Information

It is your responsibility to review your financial information (including but not limited to confirms, statements, etc.) and promptly notify the firm of any errors. If you have concerns about the personal or financial information maintained by Polar Investment Counsel, Inc., it is your responsibility to update that information (perhaps because of a change in your circumstances) by calling Polar Investment Counsel, Inc. (218-681-7344) or your broker.

Notification of this policy will be made via client statement that the policy is available via the Internet or upon request in hard copy. Should PICI, at any time during the year, change any portion of its privacy policy, such notification shall be made to our clientele via client statement message.

Credit Risk and Interest Rate Risk

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either the principal or interest (coupon) or both)

Interest rate risk is the risk (variability in value) borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa. Interest rate risk is commonly measured by the bond's duration.

Credit Risk

Credit risk is risk due to uncertainty in a counterparty's (also called an **obligor's** or **credit's**) ability to meet its obligations. Because there are many types of counterparties—from individuals to sovereign governments—and many different types of obligations—from auto loans to derivatives transactions—credit risk takes many forms. Institutions manage it in different ways.

In assessing credit risk from a single counterparty, an institution must consider three issues:

- **default probability:** What is the likelihood that the counterparty will default on its obligation either over the life of the obligation or over some specified horizon, such as a year? Calculated for a one-year horizon, this may be called the **expected default frequency**.
- **credit exposure:** In the event of a default, how large will the outstanding obligation be when the default occurs?
- **recovery rate:** In the event of a default, what fraction of the exposure may be recovered through bankruptcy proceedings or some other form of settlement?

When we speak of the **credit quality** of an obligation, this refers generally to the counterparty's ability to perform on that obligation. This encompasses both the obligation's default probability and anticipated recovery rate.

To place credit exposure and credit quality in perspective, recall that every risk comprise two elements: exposure and uncertainty. For credit risk, credit exposure represents the former, and credit quality represents the latter.

For loans to individuals or small businesses, credit quality is typically assessed through a process of **credit scoring**. Prior to extending credit, a bank or other lender will obtain information about the party requesting a loan. In the case of a bank issuing credit cards, this might include the party's annual income, existing debts, whether they rent or own a home, etc. A standard formula is applied to the information to produce a number, which is called a credit score. Based upon the credit score, the lending institution will decide whether or not to extend credit. The process is formulaic and highly standardized.

Many forms of credit risk—especially those associated with larger institutional counterparties—are complicated, unique or are of such a nature that that it is worth assessing them in a less formulaic manner. The term **credit analysis** is used to describe any process for assessing the credit quality of a counterparty. While the term can encompass credit scoring, it is more commonly used to refer to processes that entail human judgment. One or more people, called **credit analysts**, will review information about the counterparty. This might include its balance sheet, income statement, recent trends in its industry, the current economic environment, etc. They may also assess the exact nature of an obligation. For example, senior debt generally has higher credit quality than does subordinated debt of the same issuer. Based upon this analysis, the credit analysts assign the counterparty (or the specific obligation) a **credit rating**, which can be used for making credit decisions.

Many banks, investment managers and insurance companies hire their own credit analysts who prepare credit ratings for internal use. Other firms—including Standard & Poor's, Moody's and Fitch—are in the business of developing credit ratings for use by investors or other third parties. Institutions that have publicly traded debt hire one or more of them to prepare credit ratings for their debt. Those credit ratings are then distributed for little or no

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charge to investors. Some regulators also develop credit ratings. In the United States, the National Association of Insurance Commissioners publishes credit ratings that are used for calculating capital charges for bond portfolios held by insurance companies.

Exhibit 1 indicates the system of credit ratings employed by Standard & Poor's. Other systems are similar.

Standard & Poor's Credit Ratings ***Exhibit 1***

AAA	Best credit quality—Extremely reliable with regard to financial obligations.
AA	Very good credit quality—Very reliable.
A	More susceptible to economic conditions—still good credit quality.
BBB	Lowest rating in investment grade.
BB	Caution is necessary—Best sub-investment credit quality.
B	Vulnerable to changes in economic conditions—Currently showing the ability to meet its financial obligations.
CCC	Currently vulnerable to nonpayment—Dependent on favorable economic conditions.
CC	Highly vulnerable to a payment default.
C	Close to or already bankrupt—payment on the obligation currently continued.
D	Payment default on some financial obligation has actually occurred.

This is the system of credit ratings Standard & Poor's applies to bonds. Ratings can be modified with + or – signs, so a AA– is a higher rating than is an A+ rating. With such modifications, BBB– is the lowest investment grade rating. Other credit rating systems are similar. Source: Standard & Poor's.

The manner in which credit exposure is assessed is highly dependent on the nature of the obligation. If a bank has loaned money to a firm, the bank might calculate its credit exposure as the outstanding balance on the loan. Suppose instead that the bank has extended a line of credit to a firm, but none of the line has yet been drawn down. The immediate credit exposure is zero, but this doesn't reflect the fact that the firm has the right to draw on the line of credit. Indeed, if the firm gets into financial distress, it can be expected to draw down on the credit line prior to any bankruptcy. A simple solution is for the bank to consider its credit exposure to be equal to the total line of credit. However, this may overstates the credit exposure. Another approach would be to calculate the credit exposure as being some fraction of the total line of credit, with the fraction determined based upon an analysis of prior experience with similar credits.

Credit risk modeling is a concept that broadly encompasses any algorithm-based methods of assessing credit risk. The term encompasses credit scoring, but it is more frequently used to describe the use of asset value models and intensity models in several contexts. These include:

- supplanting traditional credit analysis;
- being used by financial engineers to value credit derivatives; and
- being extended as portfolio credit risk measures used to analyze the credit risk of entire portfolios of obligations to support securitization, risk management or regulatory purposes.

Derivative instruments represent contingent obligations, so they entail credit risk. While it is possible to measure the mark-to-market credit exposure of derivatives based upon their current market values, this metric provides an incomplete picture. For example, many derivatives, such as forwards or swaps, have a market value of zero when they are first entered into. Mark-to-market exposure—which is based only on current market values—does not capture the potential for market values to increase over time. For that purpose some probabilistic metric of potential credit exposure must be used.

There are many ways that credit risk can be managed or mitigated. The first line of defense is the use of credit scoring or credit analysis to avoid extending credit to parties that entail excessive credit risk. Credit risk limits are widely used. These generally specify the maximum exposure a firm is willing to take to a counterparty. Industry limits or country limits may also be established to limit the sum credit exposure a firm is willing to take to counterparties in a particular industry or country. Calculation of exposure under such limits requires some form of credit risk modeling. Transactions may be structured to include collateralization or various credit enhancements. Credit risks can be hedged with credit derivatives.

Finally, firms can hold capital against outstanding credit exposures.

Interest Rate Risk

Interest rate risk is risk to the earnings or market value of a portfolio due to uncertain future interest rates. Discussions of interest rate risk can be confusing because there are two fundamentally different ways of approaching the topic. People who are accustomed to one often have difficulty grasping the other. The two perspectives are:

- a book value perspective, which perceives risk in terms of its effect on accounting earnings, and
- a market value perspective—sometimes called an economic perspective—which perceives risk in terms of its effect on the market value of a portfolio.

The first perspective is typical in banking, insurance and corporate treasuries, where book value accounting prevails. The latter is typical in a trading or investment management context.

Interest rate risks can be categorized in different ways, and there is usually some overlap between categories. One approach—that is well suited for a book-value perspective—is to break interest rate risk into three components:

- term structure risk,
- basis risk,

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- options risk.

Term structure risk (also called **yield curve risk** or **repricing risk**) is risk due to changes in the fixed income term structure. It arises if interest rates are fixed on liabilities for periods that differ from those on offsetting assets. One reason may be maturity mismatches. Suppose an insurance company is earning 6% on an asset supporting a liability on which it is paying 4%. The asset matures in two years while the liability matures in ten. In two years, the firm will have to reinvest the proceeds from the asset. If interest rates fall, it could end up reinvesting at 3%. For the remaining eight years, it would earn 3% on the new asset while continuing to pay 4% on the original liability. Term structure risk also occurs with floating rate assets or liabilities. If fixed rate assets are financed with floating rate liabilities, the rate payable on the liabilities may rise while the rate earned on the assets remains constant.

In general, any occasion on which interest rates are to be reset—either due to maturities or floating rate resets—is called a **repricing**. The date on which it occurs is called the **repricing date**. It is this terminology that motivates the alternative name "repricing risk" for tem structure risk.

If a portfolio has assets repricing earlier than liabilities, it is said to be **asset sensitive**. This is because near term changes in earnings are going to be driven by interest rate resets on those assets. Similarly, if liabilities reprice earlier, earnings are more exposed to interest rate resets on those liability, and the portfolio is called **liability sensitive**.

For example, a bank that is supporting fixed rate liabilities with floating rate assets is asset sensitive. Earnings risk is posed by the floating rate on the assets. This example is only meaningful from a book value standpoint—which focuses on earnings risk. From a market risk standpoint, the floating rate assets pose little risk—floaters have stable market values. It is the long-dated liabilities that pose market risk. Their market values fluctuate with changes in long-term interest rates. From the economic perspective, it would be reasonable to call the bank "liability sensitive!" Of course, that is not how the terminology is used. However, our example highlights how fundamentally different the book-value and market-value perspectives are.

It should be emphasized that this discussion uses the terms "asset" and "liability" loosely, and not in any strict accounting sense. We include among assets and liabilities both derivatives and other off-balance sheet instruments that may behave like assets or liabilities. A pay-fixed interest rate swap might be considered a combination of a floating rate asset with a fixed rate liability. On a stand-alone basis, it poses considerable term structure risk.

Basis risk is risk due to possible changes in spreads. In fixed income markets, basis risk arises from changes in the relationship between interest rates for different market sectors. If a bank makes loans at prime while financing those loans at Libor, it is exposed to the risk that the spread between prime and Libor may narrow. If a portfolio holds junk bonds hedged with short Treasury futures, it is exposed to basis risk due to possible changes in the yield spread of junk bonds over Treasuries. Basis risk is another name for spread risk.

As with term structure risk, book-value and market-value perspectives differ with respect to basis risk. As always, the book value perspective focuses on risk to earnings. If the spread between interest earned on assets and interest paid on liabilities narrows, those earnings will suffer. The economic perspective considers the risk to the portfolio's market value. If a spread narrows or widens, the market values of assets and liabilities may be affected differently—and the net market value of the overall portfolio could suffer.

Options risk, as a component of interest rate risk, is risk due to fixed income options—options that have fixed income instruments or interest rates as underliers. Options may be stand-alone, such as caps or swaptions. They may also be embedded, as with the call feature of callable bonds or the prepayment of mortgage-backed securities (MBS). In some respects, options risk is just another component of term structure risk. This argument needs to be explored differently for the book value and market value perspectives.

From the book value perspective, the distinction between term structure and options risk has historical roots. Payoffs of options depends upon changes in interest rates, which would seem to make options one more source of term structure risk. However, by shorting embedded options, a depository institution can enhance short-term earnings at the expense of long-term earnings. This is what happened during the 1980s, when the MBS market was just emerging. Dealers found US thrifts and other depository institutions to be eager buyers of MBSs. Because of their short embedded prepayment options, the MBSs offered very high yields—and those high yields flowed immediately to earnings. Because MBS pricing was far from transparent, dealers could charge exorbitant prices for the MBS—they priced them to have yields much higher than Treasury notes, but not high enough to fully compensate for the short options. From an economic standpoint, thrifts incurred a loss every time they purchased an MBS, but the thrifts didn't see that. Perceiving the world from a purely book-value/earnings perspective, all they saw was an immediate jump in earnings. Only later, when interest rates dropped and prepayments on the MBS surged, did the thrifts realize their mistake. Loses were staggering and were a primary contributor to the ensuing crisis in the US thrift industry.

Part of the thrifts' problem was due to being cheated by the dealers who sold them the MBS at inflated prices. That is a risk distinct from interest rate risk. It is as old as Wall Street—caveat emptor. However, another significant issue was the emerging problem that derivatives and new structures with embedded options made it possible to do an "end-run" around traditional book value accounting. Increasingly, earnings could be manipulated for the short-term, with consequences pushed into the future. Traditional techniques of asset-liability management—which focused on term structure and basis risk—were ill equipped to address this emerging risk. Hence, the new risk was given a name—options risk—and managers came under pressure to supplement old tools with new ones that could assess this new risk.

The economic perspective on options risk is very different. From that standpoint, options pose immediate risk in the form of changes in their market value. While shorting embedded options can generate income that immediately flows to earnings, it does nothing for market value—the option premiums are offset by the negative market value of the newly shorted options. If the options are shorted at fair prices, the two cancel—and there is no immediate market value impact.

Market risk of fixed income options arises primarily from two sources:

- changes in underlying interest rates, and
- changes in applicable implied volatilities.

The first of these, from a market value standpoint, is no different from term structure risk—the portfolio's value rises or falls with interest rates in a fairly predictable manner. The latter isn't a form of interest rate risk—it is implied volatility risk.

Accordingly, from an economic perspective, it is more reasonable to identify just two components of interest rate risk:

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- term structure risk, and
- basis risk.

where a term structure includes a component of what we previously called options risk, and the balance of options risk is a new, non-interest rate risk:

- volatility risk.

There are many techniques for assessing interest rate risk. Some focus on the earnings impact of interest rate risk. Others focus on the market value impact. Accordingly, the choice of tools will be motivated by your perspective.

Investors with a book value perspective tend to address interest rate risk with the tools of asset-liability management—cash matching, gap analysis, earnings simulation, earnings at risk and duration. Those with an economic perspective use some of these—especially gap analysis and duration—but they also use tools that focus on economic value—delta, PV01 and value-at-risk.

Tools such as earnings simulation and earnings-at-risk quantify risk in terms of its earnings impact, so they are only applicable from a book-value perspective. Tools like PV01 and value-at-risk quantify risk in terms of market value impact, so they are only applicable from a market-value perspective. Gap analysis and duration are interesting because they can be used with either perspective. Let's look at why.
Gap analysis doesn't consider the consequences of the risk it assesses, so it doesn't lock the user into one perspective or the other. It simply identifies interest rate gaps. The book-value and market-value perspectives may see differing implications in those gaps, but they both see risk. Accordingly, gap analysis is useful for both.

Duration is different. Rather than avoid describing the consequences of the risks it identifies, it offers two alternative interpretations of those risks. Based on the Macaulay formula, duration is the average weighted maturity of a portfolio. From the book-value perspective, a portfolio that has positive duration is liability sensitive. One that has negative duration is asset sensitive. From the economic perspective, duration describes the sensitivity of the portfolio's market value to parallel shifts in the spot curve (see the article Duration and Convexity). Accordingly, the single notion of duration is perceived in fundamentally different ways.

As mentioned earlier, there is no particular need from an economic perspective to consider a separate options risk. Standard tools, including delta, vega, PV01 and value-at-risk—if correctly implemented—easily capture the risks of options. From a book value perspective, traditional tools, including cash matching and gap analysis, simply cannot incorporate options. This necessitated a search for new tools. One was earnings simulation. If implemented to assess risk over a long-enough horizon—in the past, it often wasn't— it can easily incorporate the effects of options over time.

Another is **option-adjusted duration**. Abandoning the somewhat limited Macaulay formula, investors would use option pricing models to accurately calculate duration as a factor sensitivity. To clarify terminology, from the book value perspective, duration is Macaulay duration and option-adjusted duration is what, from an economic perspective, is called duration. Yes, interest rate risk can be confusing. Blame it on the two competing perspectives.

Customer Consent

Registered Representatives are required to obtain consent from customers to use electronic means of communication. This consent may be received telephonically or in writing, via separate language on an account opening agreement that authorizes electronic delivery of information. The customer must be given the option of refusing this form of communication and information delivery (presently or in the future) and a record of the customer's choice must be maintained in its respective file.

Cyber-Security

Cybersecurity is a very real and very important initiative for firms to address. We wish to provide you some basic information regarding the security of your data.

Polar Investment Counsel Inc. is never the custodian of your assets and therefore all your information is stored on a clearing firm or other outside entities system. Each of those entities is charged with providing the utmost secure environment for your information. All activity in your investment account is done via secured software provided by our clearing firms.

We at Polar, take great strides to protect your information by not giving out anything without proper identification. Some might think that is a bit extreme and some might get annoyed, but it is for your protection. We at the Home Office may not know you personally so please do not be offended when we ask "who you are". As with any other financial institution, we want to make sure we are giving the proper person the proper information.

Our email and any attachments go through secured and encrypted systems provided and monitored by Smarsh Technologies so you can be assured your information is secure in email transmissions. This provides an instant way of receiving documents that might otherwise take days to arrive if using a mailing system.

We educate our representatives on the aspects of cyber-security in order to better understand how to manage any risks or cyber-attacks. Each of our offices run the proper security/anti-virus software required and maintains up to date downloads of any updates. This is critical in our attempts to stay one step ahead of being vulnerable to cyber-attacks.

Day Trading

This special Day Trading Risk Disclosure Statement is provided to in the event of opening a Day Trading Account (the "Account") with PICI. Please note that the Firm does not generally allow day trading. You should consider the following points before engaging in day trading activities. For purposes of this notice, "day trading" means the transmission by you of multiple intraday electronic orders to effect both purchase and sale transactions in the same security or securities.

***Day trading is extremely risky*. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required for current income to meet your living expenses.**

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Be cautious of claims of large profits from day trading. You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.

Day trading requires knowledge of securities markets. Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.

Day trading requires knowledge of the company's operations of each you are dealing with. You should be familiar with each securities firm's business practices, including the operation of the firm's order execution systems and procedures. You should confirm that the firm has adequate systems capacity to permit customers to engage in day trading activities.

Day trading may result in your paying large commissions. Day trading may require you to trade your account aggressively, and you may pay commissions on each trade. The total daily commissions that you pay on your trades may add to your losses or significantly reduce your earnings.

Day trading on margin or short selling may result in losses beyond your initial investment. When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day trading strategy also increases the risk of extraordinary losses because you may have to purchase a stock at a very high price in order to cover a short position.

PICI requires prior approval of your Account. Our continuing approval of your Account is conditioned at all times on the following:

1. You have furnished us with current required information as to your trading strategy, financial strength and overall objectives, and agree to provide us with updated information as soon as there is any change.
2. You are current in maintaining minimum balance and other financial requirements for the Account.
3. You agree immediately to abide by any request of PICI with respect to increasing minimum balance or other requirements in the Account in order to continue operating it, including the posting of security or other collateral.
4. Your transactions in the Account are and continue to be in accordance with the trading strategy described by you and approved by the company.
5. Your conduct of the Account and interaction with company personnel continue to be in accordance with company policies and guidelines.
6. You agree to provide PICI and any regulatory authority with complete access to any and all records as to sources and uses of funds, transactions, strategies, etc.

You acknowledge that PICI in no way recommends or promotes a "trading strategy," that all orders and transactions with respect to the Account are initiated by you as customer and not solicited or initiated by any person(s) employed by or associated with PICI and that you solely and not PICI or any of its personnel assume the risk of all losses in and with respect to the Account and you agree to indemnify and hold harmless PICI and each of its officers, employees agents and representatives harmless from all loss, liability, claim or expense (including reasonable attorney's fees) arising out of or connected with the Account or any transaction entered into with respect to your "day trading" activities. The above acknowledgement and indemnification is in lieu of and supersedes provisions in any and all other forms, contracts, agreements or other documents which may be in effect or govern any relationship between you as customer and PICI and which may be in conflict with the above acknowledgment and indemnification.

Financial Exploitation of Specified Adults

Regulatory rules provide the firm with procedures we can use to prevent the financial exploitation of specified adults. A specified adult is defined as a natural person who is 65 years of age or older or 18 years of age or older who the firm reasonably believes, through its business relationship with the person, has a mental or physical impairment that renders them unable to protect their own interests.

The firm may place a temporary hold on a disbursement of funds or securities from the account of a specified adult if the firm:

- reasonably believes that financial exploitation of the specified adult has occurred, is occurring, has been attempted, or will be attempted;
- provides an oral or written notification, within two business days after the date the temporary hold on the disbursement of funds or securities is placed, that the temporary hold has been placed and the reason for the temporary hold to:
    - all parties authorized to transact business on the account, unless a party is unavailable or the firm reasonably believes that the party has engaged, is engaged, or will engage in the financial exploitation of the specified adult; and
    - the Trusted Contact Person(s), unless the Trusted Contact Person is unavailable or the firm reasonably believes that the Trusted Contact Person has engaged, is engaged, or will engage in the financial exploitation of the specified adult;
- immediately initiates an internal review of the facts and circumstance that caused the firm to reasonably believe that the financial exploitation of the specified adult has occurred, is occurring, has been attempted or will be attempted.

A temporary hold placed under this Rule will expire no later than 15 days after it was placed unless terminated or extended by a state regulator or an agency or court of competent jurisdiction.

Margin Account Disclosure

Good business practice and industry regulation dictate that additional risk disclosure concerning opening and operating a margin account is prudent. **PRIOR TO OPENING A MARGIN ACCOUNT, THE FIRM REQUIRES THAT YOU READ, IN ITS ENTIRETY, THIS DOCUMENT AND THAT ALL PARTIES TO THE MARGIN ACCOUNT ACKNOWLEDGE HAVING READ THIS DOCUMENT.** As stated in the text of this document, PICI can and does have more stringent margin account requirement than those imposed by existing regulation. For further information on this and other investment topics, please visit the Investor Awareness section of FINRA's web site at www.finra.org.

Use of Margin Accounts

A customer who purchases securities may pay for the securities in full or may borrow part of the purchase price from his or her securities firm. If the customer chooses to borrow funds from a firm, the customer will open a margin account with the firm. The portion of the purchase price that the customer must deposit is called margin and is the customer's initial equity in the account. The loan from the firm is secured by the securities that are purchased by the customer. A customer may also enter into a short sale through a margin account, which involves the customer borrowing stock from a firm in order to sell it, hoping that the price will decline. Customers generally use margin to leverage their investments and increase their purchasing power. At the same time, customers who trade securities on margin incur the potential for higher losses.

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Margin Requirements
The terms on which firms can extend credit for securities transactions are governed by federal regulation and by the rules of the FINRA and the securities exchanges. This investor guidance focuses on the requirements for marginable equity securities, which includes most stocks. Some securities cannot be purchased on margin, which means they must be purchased in a cash account and the customer must deposit 100% of the purchase price. In general, under Federal Reserve Board Regulation T, firms can lend a customer up to 50% of the total purchase price of a stock for new, or initial, purchases. Assuming the customer does not already have cash or other equity in the account to cover its share of the purchase price, the customer will receive a margin call from the firm. As a result of the margin call, the customer will be required to deposit the other 50% of the purchase price.

The rules of the FINRA and the exchanges supplement the requirements of Regulation T by placing "maintenance" margin requirements on customer accounts. Under the rules of the FINRA and the exchanges, as a general matter, the customer's equity in the account must not fall below 25% of the current market value of the securities in the account. Otherwise, the customer may be required to deposit more funds or securities in order to maintain the equity at the 25% level. The failure to do so may cause the firm to force the sale of – or liquidate – the securities in the customer's account in order to bring the account's equity back up to the required level.

Polar Investment Counsel, Inc. requires a minimum equity of $20,000 or 30% (whichever is greater); additionally, the Firm requires a minimum of $45,000 to open any margin account.

Firm Practice
Firms have the right to set their own margin requirements – often called "house" requirements – as long as they are higher than the margin requirements under Regulation T or the rules of the FINRA and the exchanges. In today's market, some firms have revised their maintenance margin requirements for certain volatile stocks (such as stocks of companies that sell products or services via the Internet) to help ensure that there are sufficient funds in their customer accounts to cover the large swings in the price of these stocks. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Again, a customer's failure to satisfy the call may cause the firm to liquidate a portion of the customer's account.

Margin Agreements and Disclosures
If a customer trades stocks in a margin account, the customer needs to carefully review the margin agreement provided by his or her firm. A firm charges interest for the money it lends its customers to purchase securities on margin, and a customer needs to understand the additional charges that he or she may incur by opening a margin account. Under the federal securities laws, a firm that loans money to a customer must provide the customer with written disclosure of the terms of the loan, such as the rate of interest and the method for computing interest. The firm must also provide the customer with periodic disclosures informing the customer of transactions in the account and the interest charges to the customer.

Loans from Other Sources
In some cases, firms may arrange loans for customers from other sources, and there have been instances of customers making loans to other customers to finance securities trades. A customer that lends money to another customer should be careful to understand the significant additional risks that he or she faces as a result of the loan, and needs to carefully read any loan authorization forms. A lending customer should be aware that such a loan may be unsecured and may not be eligible for protection by the Securities Investor Protection Corporation (SIPC). The firm may not, without direction from the borrowing customer, transfer money from the borrowing customer's account to the lending customer's account to repay the loan.

Additional Risks Involved with Trading on Margin
There are a number of additional risks that all investors need to consider in deciding to trade securities on margin. These risks include the following:

- **You can lose more funds than you deposit in the margin account**. A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities in your account.
- **The firm can force the sale of securities in your account**. If the equity in your account falls below the maintenance margin requirements under the law-or the firm's higher "house" requirements-the firm can sell the securities in your account to cover the margin deficiency. You will also be responsible for any short fall in the account after such a sale.
- **The firm can sell your securities without contacting you**. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities in their accounts to meet the call unless the firm has contacted them first. This is not the case. As a matter of good customer relations, most firms will attempt to notify their customers of margin calls, but they are not required to do so.
- **You are not entitled to an extension of time on a margin call**. While an extension of time to meet initial margin requirements may be available to customers under certain conditions, a customer does not have a right to an extension of time to meet a maintenance margin call.
- **Client(s) understand that all monies due as a result of operation of this account fluctuation shall be immediately delivered via wire transfer**.
- **Betting the Ranch: Risking Your Home of Buy Securities.** With a rising stock market, record low interest rates, and large gains in home value, some investors have taken out new mortgages, refinanced, or obtained line-of-credits secured by their homes for the specific purpose of investing in securities. The hope is that the investment will not only pay the mortgage, but also generate additional income. Unfortunately, it doesn't always work out that way. PICI prohibits this practice and is concerned that investors who must rely on investment returns to make their mortgage payments could end up defaulting on their home loans if their investments decline and they are unable to meet their monthly mortgage payments. In short, investors who bet the ranch could lose it.

  Your Risk is Compounded. There is risk to principal when you invest in virtually any security. Taking money out of your house to buy securities compounds your risks for the following reasons:

  - When you buy securities with mortgage money, you are investing with borrowed funds. While this increases your buying power, it also increases your exposure to market risk, similar to buying securities on margin. The difference is your mortgage loan is likely to be greater than any amount a securities firm would loan you on margin. Investing borrowed mortgage money amounts to a huge bet that the investment will increase.

  - Unlike investing with savings, when you invest with mortgage money, you stand to lose more than your principal if the investment goes sour. You can lose the collateral supporting the loan – namely your house. Even if you don't lose your

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house, you could lose the equity in your home that may have built up over a considerable period of time.

- You may put your money in higher risk investments than you might normally select, in an effort not only to match the rate of your home loan but in the hopes of surpassing this rate. Furthermore, with so much at stake, if a given investment does poorly, you may feel compelled to move your investment into even more risky investments to make up the difference, further jeopardizing your home, credit standing, and overall financial health.

Municipal Disclosures

MSRB Rule G-10: Polar Investment Counsel Inc., is registered with the U.S. Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). As such, PICI is subject to the regulations and rules on municipal securities activities established by the SEC and MSRB. The website for the MSRB is www.msrb.org . Note that in addition to having educational material about the municipal securities market, the MSRB website has an Investor Brochure that describes the protections that may be provided by the MSRB rules and how to file a complaint against PICI or a PICI representative.

MSRB Rules prohibit brokers, dealers, and municipal securities dealers from purchasing or selling municipal securities unless they reasonably believe that the state or local government issuing the securities has agreed to disclose such things as annual financial statements and notices of certain events, such as payment defaults, rating changes and prepayments.

In an effort to provide a comprehensive source for official statements, continuing disclosure documents, advance refunding documents and real-time trade price information on municipal securities, MSRB established EMMA – Electronic Municipal Market Access, s system that allows municipal bond underwriters and issuers to disseminate the information that is made available to the public. The website http://emma.msrb.org provides access to search for a specific bond, note or other municipal security, an education center and information about municipal securities and market activity. We encourage you to view submissions of such documents prior to purchasing a municipal security and to visit MSRB at http://msrb.org for the availability of the investor brochure which describes what protections may be provided under MSRB rules and how to file a complaint with appropriate authorities.

Notice of availability of official statements via http://emma.msrb.org is made via client statements and trade confirmations. Additionally, you will find a link to EMMA at http://www.polarinvest1.com Annual notification of this disclosure will be made via client statement and/or electronic delivery of this document.

Mutual Funds Breakpoint Disclosure

Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees that you will be charged, as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your particular needs and may help you reduce the cost of your investment. This disclosure document will give you general background information about these charges and discounts. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these issues with your financial advisor and review each mutual fund's prospectus and statement of additional information, which are available from your financial advisor, to get the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

Sales Charges

Investors that purchase mutual funds must make certain choices, including which funds to purchase and which class share is most advantageous. Each mutual fund has a specified investment strategy. You need to consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, most mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of share class. As a general rule, Class A shares carry a "front-end" sales charge or "load" that is deducted from your investment at the time you buy fund shares. This sales charge is a percentage of your total purchase. As explained below, many mutual funds offer volume discounts to the front-end sales charge assessed on Class A shares at certain pre-determined levels of investment, which are called "breakpoint discounts." In contrast, Class B and C shares usually do not carry any front-end sales charges. Instead, investors that purchase Class B or C shares pay asset-based sales charges, which may be higher than the charges associated with Class A shares. Investors that purchase Class B and C shares may also be required to pay a sales charge known as a contingent deferred sales charge when they sell their shares, depending upon the rules of the particular mutual fund.

Breakpoint Discounts

Most mutual funds offer investors a variety of ways to qualify for breakpoint discounts on the sales charge associated with the purchase of Class A shares. In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase. Generally, as the amount of the purchase increases, the percentage used to determine the sales load decreases. In fact, the entire sales charge may be waived for investors that make very large purchases of Class A shares. Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through "*Rights of Accumulation,*" and future purchases, based upon *"Letters of Intent."* This document provides general information regarding *Rights of Accumulation* and *Letters of Intent*. However, mutual funds have different rules regarding the availability of *Rights of Accumulation* and *Letters of Intent*. Therefore, you should discuss these issues with your financial advisor and review the mutual fund prospectus to determine the specific terms upon which a mutual fund offers *Rights of Accumulation* or *Letters of Intent*.

Rights of Accumulation – Many mutual funds allow investors to count the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase, to qualify for breakpoint discounts. Moreover, mutual funds allow investors to count existing holdings in multiple accounts, such as IRAs or accounts at other broker-dealers, to qualify for breakpoint discounts. Therefore, if you have accounts at other broker-dealers and wish to take advantage of the balances in these accounts to qualify for a breakpoint discount, you must advise your financial advisor about those balances. You may need to provide documentation establishing the holdings in those other accounts to your financial advisor if you wish to rely upon balances in accounts at another firm.

In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. You should consult with your financial advisor or review the mutual fund's prospectus or

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statement of additional information to determine what these rules are for the fund family in which you are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should advise your financial advisor about these accounts. You may need to provide documentation to your financial advisor if you wish to rely upon balances in accounts at another firm.

Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset value (NAV) of existing investments in determining whether an investor qualifies for a breakpoint discount. However, a small number of funds use the historical cost, which is the cost of the initial purchase, to determine eligibility for breakpoint discounts. If the mutual fund uses historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your financial advisor and review the mutual fund's prospectus to determine whether the mutual fund uses either NAV or historical costs to determine breakpoint eligibility.

Letters of Intent – Most mutual funds allow investors to qualify for breakpoint discounts by signing a Letter of Intent, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For example, if an investor plans to purchase $50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a Letter of Intent at the time of the first purchase and receive the breakpoint discount associated with $50,000 investments on the first and all subsequent purchases. Additionally, some funds offer retroactive Letters of Intent that allow investors to rely upon purchases in the recent past to qualify for a breakpoint discount. However, if an investor fails to invest the amount required by the Letter of Intent, the fund is entitled to retroactively deduct the correct sales charges based upon the amount that the investor actually invested. If you intend to make several purchases within a 13-month period, you should consult your financial advisor and the mutual fund prospectus to determine if it would be beneficial for you to sign a Letter of Intent.

As you can see, understanding the availability of breakpoint discounts is important because it may allow you to purchase Class A shares at a lower price. The availability of breakpoint discounts may save you money and may also affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your financial advisor and carefully review the mutual fund prospectus and its statement of additional information, which you can get from your financial advisor, when choosing among the share classes offered by a mutual fund. If you wish to learn more about mutual fund share classes or mutual fund breakpoints, you may wish to review the investor alerts available on the FINRA Web site. See www.finra.org or visit the many mutual fund web sites available to the public.

Option Accounts

Options involve risk and are not suitable for all investors. Prior to buying or selling an option, a person must receive access to a copy of Characteristics and Risks of Standardized Options (ODD) and any amendments. Paper copies of the ODD are available from your broker, by calling 1-888-OPTIONS, or from The Options Clearing Corporation, One North Wacker Drive, Suite 500, Chicago, Illinois 60606.

UNCOVERED OPTION WRITERS AGREEMENT

There are special risks associated with uncovered option writing, which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.
2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
3. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or option positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.
4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.
6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option, until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled "CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS" (most current ODD – Options Disclosure Documents) and all amendments, available from your broker. In particular, your attention is directed to the chapter entitled *Risks of Buying and Writing Options*. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Order Information

Orders must not be sent via e-mail nor should they be left on voicemail or an answering device as there is no assurance of actual or timely delivery.

Order Routing Reporting

In an effort to increase visibility of execution quality and promote competition in the securities markets, the SEC in November 2000 adopted Exchange Act Rules 11Ac1-5 and 11Ac1-6. Rule 11Ac1-6 requires the Firm, if it routes customer orders in equity and option securities, to make publicly available quarterly reports that disclose the venues to which it routes non-directed orders in certain covered securities, including, unlike in Rule 11Ac1-5, listed options. The Rule further requires the Firm to disclose the nature of any relationship it has with those venues, including any payment for order flow arrangements. Finally, the Rule requires the Firm to disclose, upon customer request, the venues to which individual orders were sent for execution.

The Firm routes all its equity and option securities trades through its clearing firm. It therefore relies on its clearing firm to make available the necessary reports to its customers. The Firm informs its customers of the availability of these reports by internet website, www.polarinvest1.com or for those that do not have internet access; a request can be made for a hard copy to be sent via U.S. Postal mail.

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Outside Inquiries Concerning Your Account(s)

Please be extremely careful concerning outside telephonic or online internet inquiries on your account(s), unless the individual making such an inquiry is known to you personally. We encourage you to contact a senior principal of the Firm or your own counsel prior to responding to such an inquiry. In this day and age of identity theft and so forth, such precautions are for your own protection.

Payment for Order Flow

Polar Investment Counsel, Inc. does not receive payment for order flow. ***PICI will not accept any payments for order flow.***

It shall be disclosed on the customer's new account form and the annual report to customers of PICI whether payment for order flow is received by the Firm and the fact that the source and nature of the compensation received in connection with the particular transaction will be furnished upon written request of the customer. These practices ensure the Firm's compliance with SEC Rules 10b-10 and 11Ac1-3. PICI does receive payment from clearing firms for margin debt balances and money market fund balances.

Privacy Policy

As a regulated entity, charged with determining (among other things) the suitability of recommendations made to our clientele, compliance with numerous securities industry and Internal Revenue regulations, the firm can and does collect "personal and sensitive information" concerning our clientele and others with whom we do business.

In the normal course of business, we collect, retain and use information about you to serve your financial needs, administer your account(s) and inform you of products and services that may be of interest. This data, known as non-public personal information may be collected from several sources, including but not limited to; new account applications and account opening documents (containing information such as, but not limited to; name, assets, personal data and financial information), records of transactions with us or our clearing firm, any affiliates, non-affiliated third parties and other sources (i.e. credit reports). To provide you with the best possible service, we ask that you review your information for accuracy and completeness regularly to ensure it is correct and current.

We use procedural, physical and electronic system safeguards to store and secure information about you in compliance with federal standards. The systems we use protects your information from unauthorized access, alteration and destruction. Access is permitted only to those individuals within our organization who need the information to perform their job responsibilities.

When we enter into agreements with other companies to provide services to us or to make products and services available to you, we include a confidentiality clause. Under such an agreement, these companies may receive information about you, but they may only use it for the intended purpose.

PICI does not sell your personal information to anyone. We restrict the types of information we share. The firm only shares this information with others "who have a legitimate need to know" for a legitimate business purpose. Generally, this would be our business affiliates, regulatory authorities, and on occasion our auditors, or by court order, or to a legitimate law enforcement inquiry.

In other than unusual circumstances our sharing of your personal or financial information is limited to:

- Financial service institutions, such as mutual fund companies, securities brokers, banks or other financial institutions with which we have marketing agreements.
- Companies under contract to perform services for our firm, such as data processing.

Should you wish us to supply your personal or financial information to any third party for any reason such as (but not limited to) tax preparation, we shall require a proper written release concerning such a matter.

Opt Out – If for any reason at any time, we find it necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change and the opportunity to opt out of such disclosure.

Secure E-Mail Communications

While our e-mail runs on a secured encrypted server, we recommend that all e-mail, which you submit directly to the firm, or to one of our representatives, not contain any confidential or sensitive information. Additionally, orders sent via e-mail cannot be guaranteed to be received and read in a timely manner. Your submission of any e-mail to Polar Investment Counsel, Inc. or any of our representatives represents your consent for two-way communication via e-mail.

Customer Identification

As a result of the "Patriot Act" being signed into law, among other things, this legislation places on all financial institutions the burden and responsibility of positively identifying all of their customers, and the monitoring of certain types of transactions. Consequently, new regulations became effective April 24th 2002, for most brokerage and other financial institutions, which mandate certain procedures. Therefore, the firm requires that each new account submit an acceptable (current and valid) copy of a government issued photo identification such as a driver's license or passport upon the opening of any new account or the re-documentation of any existing account, which does not already have identification documentation on file. Additionally, our clientele should be aware that in this post 9-11 environment and in accordance with the provisions of this act, greater scrutiny may be given to money and security transfers of all sorts.

Proxy Information

The Firms policy regarding proxy notices is that all proxy notices are to be sent directly to shareholders and not to the firm. It is the clients right to vote their proxy if they choose to do so. PICI does NOT vote client proxies.

SIPC Coverage

SIPC (Securities Investment Protection Corporation) is an important part of the overall system of investor protection in the United States. While a number of federal, self-regulatory and state securities agencies deal with cases of investment fraud, SIPC's focus is both different and narrow: Restoring funds to investors with assets in the hands of bankrupt and otherwise financially troubled brokerage firms. The Securities Investor Protection Corporation was not chartered by Congress to combat fraud.

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When a brokerage firm is closed due to bankruptcy or other financial difficulties and customer assets are missing, SIPC steps in as quickly as possible and, within certain limits, works to return customers' cash, stock and other securities. Without SIPC, investors at financially troubled brokerage firms might lose their securities or money forever or wait for years while their assets are tied up in court. SIPC provides up to $500,000 protection for claims of cash and securities with a limit of $100,000 for claims of cash.

PICI is a member of SIPC. Visit their website for more information: SIPC. You can contact SIPC by phone, email or regular mail:
Securities Investor Protection Corporation 805 15th Street, N.W. Suite 800 Washington, D.C. 20005-2215
Tel: (202)371-8300 Fax: (202)371-6728 Email: asksipc@sipc.org

Trusted Contact Person

Regulation requires we make a reasonable attempt to obtain the name and contact information of a trusted contact person at the time the account is opened for non-institutional customers. A trusted person is someone who is 18 and can be contacted about the customer's account in the event the firm suspects possible financial exploitation. This does not give them authority to make decisions on your behalf, but rather someone we can contact in addition to yourself. The person you choose, if you choose to do so, should be someone you trust and that can be trusted with your information.

In providing a trusted contact person, you will be authorizing the firm to the following:

- Contact the trusted contact person and disclose information about the customer's account to address possible financial exploitation,
- Confirm the specifics of the customer's current contact information, health status, or identity of any legal guardian, executor, trustee or holder of a power of attorney, or
- As otherwise permitted by Consolidated FINRA Rule 2165

Volatility

PICI wishes to alert you to the existence or potential existence of conditions of extreme volatility in one or more securities traded by you. While we appreciate your business and understand that your strategies may include taking advantage of these volatile conditions, we want you to know that in trading these securities you are assuming the risk of illiquidity, and potential losses as a result of unanticipated market conditions, sudden price moves, influx of orders, trading halts, etc. In particular, please be advised as follows:

- High volumes of trading in a particular security or groups of securities at the opening or during the day may cause delays in execution or executions at prices significantly away from the market prices quoted;
- Normal automated execution processes are quite likely to be overridden during periods of high volatility, including manual executions and reductions of order size guarantees;
- Market orders must be executed promptly and therefore may be at prices and quantities that differ significantly from those expected or displayed;
- While limit orders must be executed at the required price and size, significant delays and even failures of execution may occur if limits are not reached;
- Computerized or other electronic direct access by a customer to an account or trading system do not guarantee that orders will be promptly processed or executed and customers should be aware of the risks of substantial halts or delays and lack of access during periods of extreme volatility, including lack of telephone access;
- While the Firm believes that its systems and those of its clearing organization, if applicable are adequate to service all customers promptly during periods of extreme volatility, there is no guarantee that these systems will not be overloaded on occasion and therefore less effective than normal in providing required service;
- Initial Public Offering (IPO) securities are particularly likely to experience conditions of extreme volatility and investors in these issues should be particularly aware of the risks described above, including specifically the risk that the investor's order may be executed at a "top" from which the price thereafter experiences a precipitous decline;
- The customer may experience that the Firm has raised maintenance margin requirements in their account to make sure that there is enough liquidity to absorb volatile price changes, or eliminating margin altogether for certain securities; and
- The entering of duplicate "cancellation" or "replacement" orders by a customer in order to achieve better execution may lead to the customer being responsible for ALL orders entered.

IF YOU HAVE ANY QUESTIONS ABOUT THE FOREGOING, PLEASE CONTACT YOUR BROKER AND PLEASE TAKE STEPS TO PROTECT YOURSELF THROUGH THE USE OF "LIMIT ORDERS" OR OTHERWISE.

401(k) Roll Over Disclosure

The Employee Retirement Income Security Act of 1974, as amended (ERISA) requires employee benefit plan fiduciaries to act solely in the interests of, and for the exclusive benefit of, plan participants and beneficiaries. As part of that obligation, plan fiduciaries should consider cost, among other things, when choosing investment options for the plan and selecting plan service providers.

This 401(k)-plan fee disclosure form may assist you in making informed cost-benefit decisions with respect to your plan. The purpose of this form is to help you determine the total cost of the plan. It is also intended to provide you with a means to compare investment product fees and plan administration expenses charged by competing service providers, regardless of how a particular service provider structures its fees.

Selecting a service provider requires that you evaluate and differentiate services offered by competing companies. Cost is one of the criteria, but not the only criterion, for making this evaluation. Other factors of equal or greater importance to consider include the quality and type of services provided, the anticipated performance of competing providers and their investment products and other factors specific to your plan's needs. *The service provider offering the lowest cost services is not necessarily the best choice for your plan.*

Below are pros and cons of rolling over your 401(k) plan:

Advantages	Drawbacks

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Roll over to an IRA	Wide range of investment options. Consolidation view of your retirement accounts. Additional contributions allowed. Option to move assets to a future employer's plan.	No loans. Certain 401(k) investments may not be available. Possible contribution limits. Fees and total expenses may be higher.
Remain in your 401(k) or other employer-sponsored plan	Access to certain investments that may not be available outside your 401(k). Loans may be allowed.	Limited to plan's investment options. Additional contributions restricted or not allowed. $5000 minimum balance typically required.
Transfer to another employer-sponsored plan	Consolidated view of your retirement account. Loans may be allowed.	Limited to the plan's investment options. Possible waiting period before transfer can take place.
Cash out your 401(k) account	Money immediately available to cover current expenses.	20% withheld for income taxes 10% early withdrawal penalty if you're under age 59 ½. Loss of future tax-advantaged growth.

*Distributions received before you're age 59 ½ may be not subject to the 10% federal penalty tax if the distribution is due to your disability or death; is distributed by a reservist who was ordered or called to active duty after September 11, 2001, for more than 179 days; or is for the first-time home purchase (lifetime maximum; $10,000), postsecondary education expenses, substantially equal periodic payments taken under IRS guidelines, certain unreimbursed medical expenses, an IRS levy on the IRA, or health insurance premiums (after you've received at least 12 consecutive weeks of unemployment compensation).

*Conflicts of Interest. Financial professionals who recommend an IRA rollover might earn commissions or other fees as a result. in contract, leaving assets in your old employer's plan or rolling over assets to a plan sponsored by your new employer likely results in little or no compensation for a financial professional. In short, even if the recommendation is sound, any financial professional who recommends you move money from an employer-sponsored retirement plan into an IRA could benefit financially from that move.

*Direct rollover versus indirect rollover. With a direct rollover, you instruct your former employer to send your 401(k) assets directly to your new employer's plan or to an IRA – and you never have to handle the money yourself. With an indirect rollover, you start by requesting a lump-sum distribution from your plan administrator and then take responsibility for completing the transfer. Indirect rollovers have significant tax consequences. You will not get the full amount because the plan is required to withhold 20% to ensure that taxes will be paid if the rollover is not completed. You must deposit the funds in an IRA within 60 days to avoid taxes on pretax contributions and earnings – and to avoid the potential of an additional 10% tax penalty if you are younger than 59 ½. If you want to defer taxes on the full amount you cashed out, you will have to add funds from another source equal to the 20% withheld by the plan administrator (or you get the 20% back if you properly complete the rollover).

SEC Regulation Best Interest (SEC Reg BI)

Regulation BI establishes a "best interest" standard of conduct for broker-dealers and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities industry recommendations, including recommendations of types of accounts. Upon first association with the firm, you will be provided with a copy of the firm's Form CRS explaining the Reg BI Rule disclosure obligations of the firm. By signing the account application form, you verify you have read Form CRS and were given an opportunity to discuss anything not understood with a Home Office Senior Principle.

Subsequent versions of Form CRS will be provided upon certain conditions as explained below:

- Any time a new account is opened.
- When the Registered Rep recommends that the client roll over assets from a retirement account, including a 401(k) plan, into a new or existing account or investment.
- When the Registered Rep recommends or provides a new brokerage service or investment that does not necessarily involve the opening of a new account and would not be held in an existing account.
- Within 30 days of a client's request to receive Form CRS.
- Within 60 days of the firm making a material change to Form CRS.

Delivery can be made via electronic email, hard copy and/or can be viewed at any time on our website: www.polarinvest1.com.

The scope of products and services offered by certain Financial Professionals may also be more limited than what is available through other Financial Professionals. A Financial Professional's ability to offer individual products and services depends on his/her licensing, training or branch office policy restrictions. For example, a Financial Professionals at VCLM are only be licensed to provide brokerage services, and not advisory services. You should also review the licenses held by your Financial Professional by visiting the FINRA BrokerCheck website (http://brokercheck.finra.org)

Below is a summary of important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.
Polar Investment Counsel Inc "PICI or "we" or "our" or "us") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC),l as well as an introducing broker with the National Futures Association (NFA). As a broker-dealer, we are authorized to transact business in various types of securities, including mutual funds, exchange-traded funds (ETFs), stocks, bonds, municipal securities, options, certificates of deposit (CDs), structured notes, private placements, and other investment products.

PICI independently contracts individuals, referred to as "Financial Professionals", who offer brokerage services. All our Financial Professionals offer brokerage services only as we are not a registered investment advisory and therefore do not investment advisory services. This disclosure brochure discusses important information regarding Financial Professionals who act as registered representatives of our broker-dealer.

Like all financial services providers, we and our Financial Professionals have conflicts of interest. Since PICI is compensated directly by clients and/or indirectly by the investments made by clients, this creates some conflicts. When clients pay us, we typically get paid an upfront commission or sales load at the time of the transaction and in some cases a deferred sales charge. If we are paid an upfront commission, it means the more transactions that are

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made, the more compensation we earn. When we are paid indirectly from the investments made by clients, we receive ongoing compensation, typically called a “trail” payment, for as long as a client holds an investment. The amount we receive varies depending on the investment a client makes. The compensation described in this disclosure represents the revenue we receive on an investment before subtraction of our expenses.

These types and amounts of compensation we receive change over time and may vary. Please also note that not all the conflicts described in this disclosure apply to a particular Financial Professional, their services or all the products we sell. You should ask your Financial Professional if you have any questions about compensation, costs, fees, or conflicts of interest. Please carefully review and consider the information in each section below.

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