



**BERLIN FINANCIAL, LTD.**

## **Disclosure Document SEC Form ADV, Part II**

All Ohio registered investment advisers are required to file form ADV, Part I with the Ohio Division of Securities. Part II of Form ADV contains that information which the Ohio Division of Securities requires each registered investment adviser to disclose to investors.

This booklet is the most recent update of our Form ADV, Part II. The purpose of this document is to inform you of all material aspects of our organization, its fees and services and key personnel. It is provided to new clients and also offered to all existing clients annually and is available on our website: [www.berlinfinancialltd.com](http://www.berlinfinancialltd.com).

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As of March 31, 2009

## S.E.C. Form ADV, Part II – Schedule F, continued

### Item 1 – Advisory Services and Fees

#### Advisory Services

Berlin Financial, Ltd. (“**BFL**”) provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities located in the United States. BFL has full discretionary authority in all client accounts to purchase, hold or sell securities of all kinds. Such services are provided to clients based on the predetermined investment objectives of each client.

During initial meetings with prospective clients, BFL, among other things, identifies each client’s goals and investment objectives and discusses BFL’s basic fee structure. BFL’s basic fee structure is described below.

After identifying a potential client’s investment objectives and goals, if such potential client has a current investment portfolio, BFL will evaluate the portfolio in connection with our analysis of a client’s risk tolerance and diversification strategy. If a client elects to retain BFL as its investment adviser, such investment objectives and goals and risk tolerances are taken into account in determining the inventory of such person’s portfolio.

BFL encourages each client to meet with a portfolio manager or principal of BFL on a quarterly basis and requires a meeting at least annually. At the quarterly or annual meetings, as applicable, BFL requests that each client share any changes in its objectives, financial situation, risk tolerances, financial goals, etc.

If a potential client elects to retain BFL as its investment adviser for a privately managed account (“**PMA**”), such client is provided with the following documents: (1) Privately Managed Account Acknowledgement Letter, (2) New Account Information Sheet (which requests information from clients relating to basic client information as well as information required by the U.S. Securities Laws and the USA Patriot Act), (3) Investment Management Agreement (Qualified or Non-Qualified, as applicable), (4) Letter of Authorization, (5) Investor Questionnaire, (6) BFL’s Privacy Policy and (7) BFL’s Disclosure Document (Form ADV, Part II).

#### Fees

BFL’s standard fee schedule for qualified clients consists of a management fee and a performance fee. The standard management fee charged by BFL ranges between 1% and 2% of assets under management. The 1% fee is applicable to accounts that qualify to be charged a performance fee. If a client does not qualify to be charged a performance fee, or if

an account’s value is below a minimum amount, the management fee is 2% of assets under management. The management fee is payable on a quarterly basis, i.e., 1/4% of 1% per quarter, in arrears. The performance fee charged to qualified clients is payable on an annual basis based on the net asset value of a client’s account on December 31<sup>st</sup> of each year. The performance fee charged to qualified clients is 10% of the first 15% of appreciation in net asset value of such client’s account during such year and 20% of the appreciation in value of such client’s account in excess of 15% during the same period. The performance fee, if earned, must be paid by qualified clients once per year after such clients receive an invoice generated after year-end. BFL’s fee schedule is negotiable. The fees charged to limited partners in each of the Partnerships are similarly structured and described in detail in **Item 8** below.

As set forth in the standard form of Investment Management Agreement, clients of BFL who utilize a PMA may terminate the Investment Management Agreement and thus, the use of BFL’s investment advisory services, at any time by providing BFL with written notice of such termination. The termination will be effective on the first business day following the receipt by BFL of such notice of termination.

BFL does not maintain custody of client assets.

### Item 3 - Other Types of Investments

BFL provides investment advisory services to two funds in which it is the General Partner, Berlin Capital Growth, L.P. and Berlin Income, L.P. (collectively, the “**Partnerships**”). BFL has closed all Partnerships to any investors at this time and is in the process of liquidating the Partnerships.

### Item 4 – Sources of Information and Investment Strategies

#### Sources of Information

The applicant also utilizes industry specialists, personal contacts with company officials and other individual contacts in the securities industry and other industries as potential sources of information and analysis.

#### Investment Strategies

In its capacity as an investment adviser, at the time BFL contacts or is contacted by a prospective advisory client, BFL furnishes such persons with various materials, including BFL’s brochure and its Disclosure Document (Form ADV, Part II), which identify BFL’s investment philosophy, fee structure, performance, etc. If such person is qualified and expresses an

**S.E.C. Form ADV, Part II – Schedule F, continued**

interest in investing in either of the Partnerships, such prospective limited partner is provided with a numbered copy of the Confidential Private Placement Memorandum of the applicable Partnership.

If a prospective client elects to retain BFL as its investment adviser for a PMA, their investment objectives are agreed upon. Upon making such election, such person executes a standard Investment Management Agreement (Qualified or Non-Qualified, as applicable) and other documents as set forth in **Item 1** and such client selects a custodian for the purpose of holding the securities or other assets to be held in such client's portfolio. BFL does not serve as a custodian (but see below regarding BFL being deemed to be a custodian by virtue of its position as General Partner in the Partnerships.) BFL uses various brokers to execute transactions on behalf of its clients (both for the PMAs and for the Partnerships) and the use of such brokers is in the discretion of BFL in its capacity as adviser; such discretion is exercised consistently with the investment objectives of BFL's clients. BFL does not accept directed brokerage arrangements. BFL currently utilizes the brokerage services of Global Hunter Securities, LLC Roth Capital Partners, LLC, Stifel, Nicolaus & Co., Inc, Tradition Asiel Securities Inc, UBS Financial Services Inc, MKM Partners, LLC, Oppenheimer & Co., Inc and Wachovia Securities, LLC to execute transactions for the Partnerships and PMAs. BFL may use additional brokers or discontinue the use of any broker in its discretion at any time. BFL determines which broker has the best execution in the exercise of its discretion as adviser. Such determination is consistent with the investment objectives of the Partnerships and its clients. BFL does not act as a broker in any transactions.

BFL conducts equity security transactions using a broker and in such instances, it is customary to pay a commission fee.

Not all securities that BFL trades are listed on a major exchange. When dealing with a security not listed on any such exchange, rather than effecting the security on a principal basis, BFL generally uses an agency to execute the trade. In some cases this may require a mark-up or mark-down which is included in the offer or bid price of the securities purchased or sold.

Charles Schwab currently acts as the custodian of the securities and assets of the Berlin Capital Growth, L.P. and Berlin Income, L.P.

Under Rule 206(4)-2(c) of the Investment Advisers Act of 1940, by virtue of its position as a General Partner in the Partnerships, BFL is considered to be a custodian with respect to the assets of the limited partners held in the Partnerships.

BFL's investment strategies are intended to meet the objectives of its clients. Clients are encouraged to contact BFL at any time if there are any changes in a client's financial situation or investment objectives or if a client wishes to impose, add or modify any reasonable restrictions on the management of their account with BFL. Changing investment objectives of clients, if any, are discussed at quarterly or annual meetings with clients. The Partnerships operate as blind accounts, meaning that investors in the Partnerships will not be informed of, and have no control over, the specific securities purchased or positions taken by such Partnerships. Consequently, if an investor in a Partnership wishes to change its investment objectives and strategy, such limited partner would have to move its funds from the Partnership in which it was a limited partner to a PMA. (See **Item 1** regarding restrictions on the withdrawal of capital from BFL's Partnerships.)

**Item 5 - Education and Business Standards**

The Managing Member of the applicant, Thomas G. Berlin currently makes all investment decisions for clients. Mr. Berlin has over 40 years of experience in the securities industry. BFL requires that portfolio managers that assist the Managing Member in determining investment strategies have a bachelors degree, a masters degree (or are in current pursuit of a masters degree) and have experience in the securities industry or that each portfolio manager have commensurate experience in the securities industry.

**Item 6 - Education and Business Background****Investment Managers**

Thomas G. Berlin is the Lead Portfolio Manager and Managing Member and founder of BFL and was born in 1942. Mr. Berlin has over four decades of experience in the investment business. From 1986 to 1997, he was Senior Vice President and Manager of the Retail Trading Desk at McDonald and Company Securities, Inc. Mr. Berlin has devoted his entire career to financial investing, including 35 years of trading desk responsibilities. Since the applicant's inception in 1998, Mr. Berlin has been working for the applicant and makes all investment decisions on behalf of BFL's clients. Mr. Berlin attended Fenn College (now known as Cleveland State University). He entered the investment business in 1960 and successfully completed the Series 7 (Security Broker License) in 1964 and the Series 24 (Principal) in 1966. Mr. Berlin makes all decisions relating to the investment strategies employed on behalf of BFL's clients. Mr. Berlin makes such decisions after receiving, reviewing and analyzing information created, analyzed and presented by BFL and its employees.

**S.E.C. Form ADV, Part II – Schedule F, continued****Executive Officers**

Jennifer W. Berlin is Berlin Financial's Chief Operating Officer and General Counsel and was born in 1968. From 1997 until joining the Berlin Financial team in October of 2004, Ms. Berlin worked as an associate for Jones Day, specializing in mergers and acquisitions, corporate finance/securities and general corporate law. Ms. Berlin earned a Juris Doctorate from DePaul University in 1997 and was a member of DePaul Law Review. She is a certified public accountant (inactive) and, prior to joining Jones Day, was a senior tax consultant with Ernst & Young, LLP., specializing in state and local taxes. Ms. Berlin earned a Bachelors of Science in Business (Accountancy) from Miami University in 1991.

**Item 8 – Other Financial Industry Activities or Affiliations**

The applicant is the General Partner in two partnerships. Berlin Capital Growth, L.P. ("**BCG**") and Berlin Income, L.P. ("**BI**"). Neither BCG nor BI are being offered as investments at this time. Only persons meeting certain legal requirements may invest as a limited partner in any of the Partnerships. (See **Item 3.**) Both BCG & BI are closed to investors at this time.

BCG was opened in 1998. BCG's objective is capital appreciation through the purchase and sale (including a small number of short sales) of securities, including, without limitation, publicly traded common stock, warrants and rights, preferred stocks, bonds, debentures, convertible securities and stock options to buy and sell securities. BCG utilizes margin.

BCG specializes in the securities of micro/small to mid-cap companies that BFL believes are undervalued. BFL, as the investment adviser to BCG, chooses investments based on BFL's understanding of book value, earnings growth, management history and other case specific factors. BCG invests in companies that have strong fundamentals, strong management and solid earnings. BCG invests in a variety of sectors with a strong concentration in healthcare, pharmaceuticals, industrial goods and materials and technology.

BFL, as the General Partner of BCG receives compensation of a performance fee equal to 10% of the first 15% of appreciation in net asset value each year and 20% of any appreciation in net asset value over 15%. This performance fee is deducted from a limited partner's capital account at the end of the fiscal year and is adjusted for any net losses previously allocated to the capital account of such limited partner for previous years (often referred to as a "claw-

back" to the General Partner). In the event that a partner withdraws from BCG prior to having been a partner for one full year, upon withdrawal, a prorated performance fee, if applicable, would be charged to the withdrawing limited partner's capital account prior to making the distribution to such partner. BCG pays the General Partner a fee computed at an annual rate of 1% of the net assets of the BCG Partnership. Such management fee is calculated and billed on a quarterly basis (i.e., 1/4 of 1% per quarter, in arrears).

Berlin Income, L.P. was opened in July of 2004. BI's objective is to provide stable returns/current income to its investors while preserving capital through the purchase and sale (including a small number of short sales) of securities, including, without limitation, publicly traded common stock, warrants and rights, preferred stocks, bonds, debentures, convertible securities and stock options to buy and sell securities. While BI can invest in all types of securities, BI invests heavily in investment-grade debt, preferred stocks, real estate investment trusts and high dividend yielding stocks.

BI works to achieve capital preservation through a balanced mix of investments. The fund uses fixed income products, preferred equities, REITs, equities and cash. Investments are made using fundamental and yield analysis. Securities considered for this fund will generally have what is considered an above-average dividend yield or a dividend policy that may lead to an above average yield in the future.

BFL, as the General Partner of BI receives compensation of a performance fee equal to 10% of the first 15% of appreciation in net asset value each year and 20% of any appreciation in net asset value over 15%. This performance fee is deducted from a limited partner's capital account at the end of the fiscal year and is adjusted for any net losses previously allocated to the capital account of such limited partner for previous years (often referred to as a "claw-back" to the General Partner). In the event that a partner withdraws from BI prior to having been a partner for one full year, upon withdrawal, a prorated performance fee, if applicable, would be charged to the withdrawing partner's capital account prior to making the distribution to such partner. BI pays the General Partner a fee computed at an annual rate of 1% of the net assets of the BI Partnership. Such management fee is calculated and billed on a quarterly basis (i.e., 1/4 of 1% per quarter, in arrears) and is for the expenses incurred in connection with the operations of the BI Partnership.

Decisions relating to allocations of purchases and divestitures of securities between clients of BFL (including which Partnership, if any, will be allocated a particular security) are made on a case by case basis by the Portfolio Managers of BFL. Such decisions are based on the investment



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objectives, risk tolerance, strategies, limitations and restrictions (if any) and cash and/or margin availability of each particular client.

### **Item 9 – Participation or Interest in Client Transactions**

#### **Restrictions, Procedures and Internal Controls**

In order to attempt to maximize the benefit derived by its clients in terms of price when it determines that more than one client should purchase or sell the same security, BFL uses average pricing practices. In order to achieve a fair result among all of its advisory clients for whom it buys or sells the same security on the same day, where practical, BFL will seek to aggregate or “batch” individual orders and seek execution of them as a block or in several blocks through its clearing broker working the order in such a way as to avoid a material impact on the market price until all orders are complete. BFL then calculates the average price for all shares so traded. BFL employs an average pricing method in order to avoid having any client pay more (or receive less) than other clients when their individual investment objectives, asset allocations and portfolio balances warrant investment in (or divestiture of) identical securities.

BFL, its principals and employees adhere to BFL’s Code of Ethics and Standards of Professional Conduct (which are summarized in below). Pursuant to BFL’s Foundation Values, BFL’s Code of Ethics and BFL’s other policies and procedures, including privacy and confidentiality and the avoidance of potential conflicts of interest, all securities transactions executed at BFL, including those on behalf of its principals and employees, are reviewed daily to prevent the misuse of material non-public information by BFL, its principals and employees and to prevent other violations of laws, conflicts of interests or general ethical standards.

From time to time, BFL, as well as its principals and employees, including Mr. Berlin, may have positions or may engage in transactions in the same securities as those purchased or sold for advisory clients. To avoid any potential conflict of interest, transactions effected for principals or employees of BFL within the same time frame as those for clients will be executed at an average price identical to that paid by or to clients. In such circumstances, orders for BFL principals and employees will never be executed first, or at a better price than the execution for any client.

As a matter of policy, BFL prohibits its principals and employees from effecting transactions immediately prior to or after transactions in the same security are effected for clients. BFL does, upon review, permit transactions in the same

securities as those selected for its advisory clients to be effected providing that employee transactions do not occur on the same day as the client transactions. All transactions are reviewed on a daily basis to ensure adherence to the foregoing policies.

Every client position is placed on a Restricted List, which is updated, reviewed and acknowledged on a weekly basis by each employee. The Restricted List catalogs securities that cannot be bought or sold by BFL employees or principals. Securities not on the Restricted List may be bought or sold under certain circumstances after obtaining written approval from the Chief Compliance Officer. If an employee owns a security prior to such security being placed on the Restricted List, such employees or principals may request special approval to sell so long as such security has not been traded for 5 days by any client accounts. The purchase or sale of any security whatsoever by an employee requires written approval from the Chief Compliance Officer.

#### **Code of Ethics**

BFL has adopted a Code of Ethics (“**Code**”) designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“**Advisers Act**”). This Code establishes rules of conduct for all employees of BFL and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that BFL and its employees owe a fiduciary duty to BFL’s clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by BFL continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

Pursuant to Section 206 of the Advisers Act, both BFL and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that the BFL has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

BFL and its employees are subject to the following specific fiduciary obligations when dealing with clients:

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- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client's transactions where the firm is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances; and
- A duty to be loyal to clients.

In meeting its fiduciary responsibilities to its clients and consistent with its Foundation Values, BFL expects every employee to demonstrate the highest standards of ethical conduct for continued employment with BFL. Strict compliance with the provisions of the Code are a basic condition of employment with BFL. BFL's reputation for fair and honest dealing with its clients has taken considerable time to build. This standing could be seriously damaged as the result of even a single securities transaction being considered questionable in light of the fiduciary duty owed to our clients. Employees are urged to seek the advice of the Chief Compliance Officer for any questions about the Code or the application of the Code to their individual circumstances. Employees should also understand that any breach of the provisions of the Code may constitute grounds for disciplinary action, including termination of employment with BFL.

The provisions of the Code are not all-inclusive. Rather, they are intended as a guide for employees of BFL in their conduct. In those situations where an employee may be uncertain as to the intent or purpose of the Code, he/she is advised to consult with Jennifer W. Berlin, the Chief Compliance Officer. Ms. Berlin may grant exceptions to certain provisions contained in the Code only in those situations when it is clear beyond dispute that the interests of our clients will not be adversely affected or compromised. All questions arising in connection with personal securities trading should be resolved in favor of the client even at the expense of the interests of employees.

Jennifer W. Berlin will report at least once per year to the Managing Member of BFL to document compliance with the Code.

BFL places the highest priority on maintaining its reputation for integrity and professionalism. That reputation is *our most vital* business asset. The confidence and trust placed in our firm and its employees by our clients is something *we value and endeavor to protect*. The standards of business conduct contained in our Code sets forth policies and procedures to achieve these goals. Our Code is intended to comply with the various provisions of the Advisers Act and

also requires that all supervised persons comply with the various applicable provisions of the Investment Company Act of 1940, as amended, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and applicable rules and regulations adopted by the Securities and Exchange Commission.

The Code addresses BFL's Prohibition Against Insider Trading, Personal Securities Transactions, including pre-clearance procedures, Reporting Requirements, Blackout Periods, Short-Term Trading Profits, Gifts and Entertainment, Protecting the Confidentiality of Client Information, Service as a Director, Certification of the Code and amendments, Records and Reporting Violations and Sanctions, among other matters.

Any person may obtain a complete copy of BFL's Code of Ethics upon request. Please contact our office at 216-479-0400 to request a copy at any time.

***Proxy Voting Policies and Procedures of Berlin Financial, Ltd. ("BFL" or the "Adviser")***

The act of managing assets of clients may include the voting of proxies related to such managed assets. Where the power to vote in person or by proxy has been delegated, directly or indirectly, to BFL as the investment adviser, BFL has the fiduciary responsibility for (a) voting in a manner that is in the best interests of the client and (b) properly dealing with potential conflicts of interest arising from proxy proposals being voted upon.

The policies and procedures of BFL for voting proxies received for accounts managed by the Adviser are set forth below and are applicable if:

- The underlying advisory agreement entered into with the client expressly provides that the Adviser shall be responsible to vote proxies received in connection with the client's account; or
- The underlying advisory agreement entered into with the client is silent as to whether or not the Adviser shall be responsible to vote proxies received in connection with the client's account and the Adviser has discretionary authority over investment decisions for the client's account; or
- In case of an employee benefit plan, the client (or any plan trustee or other fiduciary) has not reserved the power to vote proxies in either the underlying advisory agreement entered into with the client or in the client's plan documents.

These Proxy Voting Policies and Procedures are designed to ensure that proxies are voted in an appropriate manner and

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should complement the Adviser's investment policies and procedures regarding its general responsibility to monitor the performance and/or corporate events of companies which are issuers of securities held in managed accounts. Any questions about these policies and procedures should be directed to the Chief Compliance Officer or the Managing Member and Lead Portfolio Manager, Thomas G. Berlin.

BFL, as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

BFL has adopted procedures to implement the firm's policy and reviews to monitor and ensure that the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

### Voting Procedures

- All employees will forward any proxy materials received on behalf of clients to the Lead Portfolio Manager;
- The Lead Portfolio Manager will determine which client accounts hold the security to which the proxy relates;
- Absent material conflicts, the Lead Portfolio Manager will determine how BFL should vote the proxy in accordance with applicable voting guidelines, complete the proxy and vote the proxy in a timely and appropriate manner.

The Lead Portfolio Manager will also send a copy of this summary to all existing clients who have previously received BFL's Disclosure Document, or the Lead Portfolio Manager may send each client the amended Disclosure Document. This summary will also be available on our website. Either mailing shall highlight the inclusion of information regarding proxy voting.

A client may request information on how BFL voted such clients proxies. All client requests for information regarding proxy votes, or policies and procedures, received by any employee should be forwarded to the Lead Portfolio Manager.

In response to any request, the Lead Portfolio Manager will prepare a written response to the client with the information requested, and as applicable will include the name of the issuer, the proposal voted upon, and how BFL voted the client's proxy with respect to each proposal about which client inquired.

### Voting Guidelines

- In the absence of specific voting guidelines from the client, BFL will vote proxies in the best interests of each particular client. BFL's policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on BFL's voting authority in the same manner that they may place such restrictions on the actual selection of account securities.
- BFL will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest raised by an auditors non-audit services.
- BFL will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.
- In reviewing proposals, BFL will further consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices.

### Conflicts of Interest

- BFL will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of BFL with the issuer of each security to determine if BFL or any of its employees has any financial, business or personal relationship with the issuer.
- If a material conflict of interest exists, the Lead Portfolio Manager will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation.
- BFL will maintain a record of the voting resolution of any conflict of interest.

### Recordkeeping

The Lead Portfolio Manager shall retain the following

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proxy records in accordance with the SEC's five-year retention requirement.

- The firm's policies and procedures and any amendments.
- Each proxy statement that BFL receives.
- A record of each vote that BFL casts.
- Any document BFL created that was material to making a decision how to vote proxies, or that memorializes that decision including periodic reports to the Lead Portfolio Manager or proxy committee, if applicable.
- A copy of each written request from a client for information on how BFL voted such client's proxies and a copy of any written response.
- A copy of any conflict notice, conflict consent or any other written communication (including emails or other electronic communications) to or from the client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries) regarding the subject proxy vote cast by, or the vote recommendation of, the Adviser.

The above copies and records shall be retained in the client's file for a period not less than five years (or in the case of an employee benefit plan, no less than six years), which shall be maintained at the appropriate office of the Adviser.

Periodically, but no less than annually, the Adviser will:

- Verify that all annual proxies for the securities held in the client's account have been received;
- Verify that each proxy received has been voted in a manner consistent with the Proxy Voting Policies and Procedures and the guidelines (if any) issued by the client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries);
- Review the files to verify that records of the voting of the proxies have been properly maintained;
- Prepare a written report for each client regarding compliance with the Proxy Voting Policies and Procedures; and
- Maintain an internal list of Interested Persons.

For purposes of these Proxy Voting Policies and Procedures, an affiliate means: (i) any person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Adviser; (ii) any officer, director, principal, partner, employer, or direct or indirect beneficial owner of any 10% or greater equity or voting interest of the Adviser or (iii) any other person for which a person described in clause (ii) acts in any such capacity; any issuer of a security for which the Adviser (or any

affiliate of the Adviser) acts as a sponsor, adviser, manager, custodian, distributor, underwriter, broker, or other similar capacity; or any person with whom the Adviser (or any affiliate of the Adviser) has an existing, material contract or business relationship that was not entered into in the ordinary course of the Adviser's (or its affiliate's) business. (Each of the above persons being an "*Interested Person*".)

**Item 10 - Conditions for Managing Accounts**

The minimum dollar value required to open an investment account with BFL is \$250,000. BFL has the right to waive this minimum at its discretion.

**Item 11 - Review of Accounts**

Portfolio Managers review accounts monthly. Accounts are discussed by a committee of the Managing Member and the Portfolio Managers each month where decisions are made to buy, sell, or hold each position in the account. The review includes portfolio structure, asset allocation and securities selection and considers client's stated investment objectives and the applicant's standards of risk, performance and diversification.

Clients with PMAs receive quarterly or monthly statements from the custodian who holds their assets. BFL also reviews these statements on a regular basis. For clients who invest in one of the Partnerships, such limited partners receive quarterly statements regarding their net asset value in the applicable Partnership. For all clients, including limited partners in the Partnerships, the Managing Member or their Portfolio Manager offers to meet with each client on a quarterly basis and all clients must meet at least once per year with the Managing Member or their Portfolio Manager for an annual review of the account and to make necessary changes to the previously discussed investment strategy and risk tolerance. All clients are welcomed to call the Managing Member, their Portfolio Manager or any member of the BFL team at any time. Subject to applicable laws, there are no restrictions on clients being able to communicate with employees of BFL.

**Item 12 – Investment or Brokerage Discretion**

Subject to individual client investment objectives and asset allocation plans, there are no limitations on BFL's authority to determine which securities are to be bought and sold and in what amounts.

BFL does not accept directed brokerage arrangements. BFL, as an investment advisory firm, has a fiduciary and fundamental duty to seek best execution for client transactions.



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BFL, as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

See also **Item 4** regarding brokers.

**Best Execution**

Best execution has been defined by the SEC as the “execution of securities transactions for clients in such a manner that the clients’ total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an adviser must consider the full range and quality of a broker-dealer’s services, including execution capability, commission rates, the value of any research, financial responsibility and responsiveness, among other things.

The Lead Portfolio Manager has the responsibility for the implementation and monitoring of our best execution policy, practices, disclosures and recordkeeping.

The applicant has adopted procedures to implement the firm’s policy and reviews to monitor and ensure that the firm’s policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- As part of BFL’s brokerage and best execution practices, BFL has adopted and implemented written best execution practices and has established a Brokerage Committee consisting of the Lead Portfolio Manager and the Managing Member to supervise such practices.
- The Brokerage Committee (or a designated officer) which has responsibility for monitoring our firm’s trading practices, gathering relevant information, periodically reviewing and evaluating the services provided by broker-dealers, the quality of executions, research, commission rates, and overall brokerage relationships, among other things.
- BFL also conducts periodic reviews of the firm’s brokerage and best execution practices, evaluates services and documents these reviews and discloses a summary of brokerage and best execution practices in our Form ADV, Part II.
- A Best Execution file is maintained for the information obtained and used in BFL’s periodic best execution reviews and analysis and to document the firm’s best execution practices.

From time to time, BFL receives investment advice from certain research and brokerage firms. In order to avoid any potential conflict of interest in regards to best execution, when BFL receives investment advice that directly results in the purchase or sale of a security, BFL will, as a matter of professional courtesy, execute the transaction with the advising broker. This type of advice will be considered for each client’s portfolio based on their respective investment strategies. While the purchase or sale of a security may not be at the lowest possible execution price, the research and idea that was presented by the broker, when coupled with the execution of the transaction, constitutes the best overall execution for the client.

We do not charge or pass through additional fees or charges to our clients relating to research.

**Anti-Money Laundering**

As part of BFL’s anti-money laundering program, BFL has established procedures to ensure that all clients’ identities have been verified before an account is opened. Before opening an account for an individual client, BFL will require satisfactory documentary evidence of a client’s name, address, date of birth, social security number or, if applicable, tax identification number. Before opening an account for a corporation or other legal entity, BFL will require satisfactory evidence of the entity’s name, address and that the acting principal has been duly authorized to open the account. BFL also requires that a potential client provide a copy of such person’s drivers license. The List of Specifically Designated Nationals and Blocked Persons is reviewed to determine if a potential client is on such list and is reviewed on a monthly basis by a responsible BFL employee quarterly basis. BFL will not open accounts or accept funds or securities from, or on behalf of, any person or entity whose name appears on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Office of Foreign Assets Control, from any Foreign Shell Bank or from any other prohibited persons or entities as may be mandated by applicable law or regulation.

BFL’s complete AML program is documented in its Compliance Manual.

**Privacy Policy & Practices**

BFL maintains safeguards to comply with federal and state standards to guard each client’s nonpublic personal information. BFL does not share any nonpublic personal information with any nonaffiliated third parties, except in the following circumstances:

**S.E.C. Form ADV, Part II – Schedule F, continued**

- As necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over BFL or as otherwise required by any applicable law; and
- To the extent reasonably necessary to prevent fraud and unauthorized transactions.

Employees are prohibited, either during or after termination of their employment, from disclosing nonpublic personal information to any person or entity outside BFL, including family members, except under the circumstances described above and are permitted to disclose nonpublic personal information only to such other employees who need to have access to such information to deliver our services to the client.

BFL restricts access to nonpublic personal information to those employees who need to know such information to provide services to our clients.

Any employee who is authorized to have access to nonpublic personal information is required to keep such information in a secure compartment or receptacle on a daily basis as of the close of business each day. All electronic or computer files containing such information shall be password secured and firewall protected from access by unauthorized persons. Any conversations involving nonpublic personal information, if appropriate at all, must be conducted by employees in private, and care must be taken to avoid any unauthorized persons overhearing or intercepting such conversations.

Any employee who is authorized to possess "consumer report information" for a business purpose is required to take reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal.

BFL will provide each natural person client with initial notice of the firm's current policy when the client relationship is established. BFL also provides each such client with a new notice of the firm's current privacy policies at least annually. The firm's current Privacy Policies are set forth in the Compliance Manual.